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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of Application of Kerman
Telephone Co. (U 1012 C) to Modify
Intrastate Revenue Requirement and Rate
Design and Adjust Selected Rates.

A.22-_____

**APPLICATION
OF KERMAN TELEPHONE CO. (U 1012 C)
TO MODIFY INTRASTATE
REVENUE REQUIREMENT AND RATE DESIGN
AND ADJUST SELECTED RATES**

[PUBLIC VERSION]

CONFIDENTIAL DATA REDACTED FROM APPLICATION, EXHIBITS C AND G

Sarah J. Banola
Patrick M. Rosvall
Sean Beatty
Chelsie Liberty
BRB Law LLP
436 14th Street, Suite 1205
Oakland, California 94612
Telephone: (510) 955-1081
Mobile: (415) 518-4813
Email: patrick@brblawgroup.com

Attorneys for
Kerman Telephone Co.

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1 **I. INTRODUCTION.**

2 Pursuant to Rules 2.1, 2.2, 2.3, and 3.2 of the California Public Utilities Commission's
3 ("Commission") Rules of Practice and Procedure ("Rules"), Applicant Kerman Telephone Co. (U
4 1012 C) ("KTC") hereby submits this general rate case application ("Application"), seeking
5 modifications to its revenue requirement and rate design, including updates to its annual costs of
6 service and adjustments to its tariffed rates and California High Cost Fund A ("CHCF-A")
7 support.¹ This Application complies with Commission directives applicable to small, independent
8 telephone corporations, the Commission's 2015 rate case plan ("Rate Case Plan"), and all rules
9 governing the CHCF-A program.² In 2020, the Commission adjusted the Rate Case Plan to place
10 KTC in "Group B" along with its affiliate, Foresthill Telephone Co. ("FTC"), noting that
11 processing these cases in the same group would "streamline the GRC process and promote
12 efficiency."³ To ensure that these procedural efficiencies are realized, KTC will be filing a motion
13 to formally consolidate this proceeding with the parallel, contemporaneously initiated rate case of
14 FTC.⁴ While KTC and FTC will ask that their cases be processed in a single, consolidated
15 proceeding, they remain separate operating companies with distinct costs of service, and they will
16 present separate ratemaking calculations.

17 Through this Application, KTC presents reasonable and extensively-supported ratemaking
18 proposals that advance important state and federal public policy objectives, including helping to
19 bridge the "digital divide" by enhancing broadband deployment in rural areas of California.⁵

20 ¹ See D.20-08-011 at 55 (Ordering Paragraph ("OP") 8 (setting original rate case filing date of October 1,
21 2022 for "Group B" companies, including KTC)). Pursuant to Rule 16.6, KTC received a one-month
22 extension on the October 1, 2022 filing deadline, as reflected in a letter issued by the Commission's
23 Executive Director on July 18, 2022. This letter is provided herewith in **Exhibit A**.

24 ² See Pub. Util. Code § 275.6 (outlining the ratemaking standards for "small independent telephone
25 corporations" who receive CHCF-A support); D.15-06-048, Appendix A (establishing the Rate Case Plan
26 for KTC and other "small independent telephone corporations"); D.14-12-084 (enacting ratemaking
27 adjustments); D.21-04-005 (adopting "broadband imputation" for CHCF-A recipients); D.21-06-004
28 (enacting additional changes to ratemaking rules), *modified on rehearing in* D.22-02-027 (revising license
and lease revenue reporting requirements).

³ See D.20-08-011 at 44 (quoting Cal Advocates' comments on underlying proposed decision).

⁴ FTC will bring a similar motion in its own rate case.

⁵ See *Newsom Exec. Order N-73-20*, OP 8 (directing the "CPUC . . . to seek opportunities to use programs
under its jurisdiction to accelerate broadband deployment and leverage utility infrastructure to increase
access to existing fiber and cost-effectively deploy new fiber."), available at <https://www.gov.ca.gov/wp-content/uploads/2020/08/8.14.20-EO-N-73-20.pdf>; Pub. Util. Code § 281(b)(1)(A) (confirming state goal
of reaching 98% of households with broadband connectivity by the end of 2032).

1 KTC's ratemaking calculations were most recently performed with reference to a test year of
2 2016.⁶ Since the conclusion of that prior rate case, numerous events have underscored the critical
3 importance of the company's service to its rural service territory. The COVID-19 pandemic has
4 highlighted the need for rural connectivity, as many essential services, social necessities, and
5 economic opportunities were not available "in person" starting in 2020 and some "face-to-face"
6 interactions remained limited into 2022.

7 Against this backdrop, federal and state regulators have confirmed that robust broadband
8 connection is no longer a "luxury."⁷ In this context, KTC has renewed its commitment to
9 advancing its broadband-capable networks, which will provide residents in Fresno County with
10 access to an evolving level of broadband speed and bandwidth, consistent with the growing
11 customer demand for advanced services. KTC does not provide Internet access service itself, but
12 its affiliate, Audeamus, operates as an Internet Service Provider ("ISP") in KTC's service
13 territory.⁸ To ensure that the households and businesses in KTC's service area have sufficient
14 infrastructure to access advanced services from the providers of their choice, the Legislature
15 confirmed in 2012 that "small telephone corporations'" investments in "broadband-capable
16 facilities" are appropriate for inclusion in rate base.⁹ Consistent with these imperatives, KTC is
17 prepared to make more than \$5.6 million in additional investments in network upgrades during the
18 timeframe spanning the current year, through the end of the test year 2024, including investments
19 made year to date in 2022, with an ultimate goal of extending fiber facilities to substantially all
20 customer locations.

21 KTC cannot bring these benefits to its customers without continued access to sufficient
22 CHCF-A support, which makes a reasonable, efficient outcome in this rate case especially crucial.

23
24 ⁶ See D.16-06-053 at 143, 147 (OPs 1, 13), Appendix A.

25 ⁷ See *In the Matter of Connect America Fund*, WC Docket No. 10-90, *Report and Order*, FCC 18-176 (rel.
26 Dec. 13, 2018) ("*ETC Reform Order*"), at ¶ 3 (recognizing that "access to 25/3 Mbps broadband service is
27 not a luxury for urban areas, but important to Americans wherever they live."); *Newsom Exec. Order N-73-*
28 *20*, OP 1 ("California state agencies subject to my authority are directed to pursue a minimum broadband
speed goal of 100 megabits per second download speed to guide infrastructure investments and program
implementation to benefit all Californians.").

⁸ Audeamus also operates in other parts of California outside of KTC's service territory, including in FTC's
territory and portions of AT&T's service territory and Frontier's service territories.

⁹ Pub. Util. Code §§ 275.6(c)(6), 275.6(c)(5); see SB 379 (2012 Fuller), Preamble.

1 To provide a viable financial platform for KTC’s forward-looking operations, and to ensure that
2 KTC can maintain its “financial integrity” and continue to “attract capital . . . on reasonable terms”
3 and “earn a reasonable return on its investments,” the Commission must make adjustments to
4 KTC’s revenue requirement and its rate design.¹⁰ Unfortunately, in 2021, the Commission
5 adopted policies in the CHCF-A rulemaking that undercut KTC’s ability to recover its costs of
6 service and earn its authorized rate of return, including the imposition of “broadband imputation”
7 and the application of arbitrary, non-rebuttable expense caps to KTC’s operations.¹¹ These recent
8 changes will result in a revenue requirement that is lower than necessary to meet statutory and
9 constitutional standards and produce systematic revenue shortfalls in KTC’s rate design.
10 Nevertheless, KTC has faithfully applied the Commission’s rules in presenting this Application,
11 and it will abide by these requirements unless and until they are annulled by a reviewing court or
12 otherwise adjusted through regulatory or statutory change.¹²

13 Based on current Commission rules, KTC has computed a revenue requirement of
14 \$6,448,140 for the 2024 test year. Consistent with statutory guidance and longstanding
15 Commission precedent, this revenue requirement is comprised of reasonable expenses, return on
16 rate base, and tax liabilities computed at current federal and state rates, as follows:¹³

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21 ¹⁰ Pub. Util. Code § 275.6(c)(2).
22 ¹¹ D.21-04-005 at 23-24 (OP 1) (“all reasonable positive retail broadband-related revenues of the Small
23 ILEC and its Internet service provider (ISP) affiliate . . . net of all reasonable broadband-related expenses
24 of the Small ILEC and its ISP affiliate . . . for the calendar year immediately preceding the filing of the
GRC application shall be imputed in the determination of rate design and California High Cost Fund-A
support.”); D.21-06-004 at 43 (OPs 6-7) (requiring non-rebuttable corporate and operating expenses in
general rate cases).
25 ¹² As part of the Independent Small LEC group, KTC has filed an appellate challenge of D.21-04-005 and
26 D.21-08-042, the decisions adopting “broadband imputation.” The case is docketed as *Calaveras, et al. v.*
27 *Pub. Util. Comm’n*, Case No. F083339 and a writ of review has been issued. Oral argument is anticipated
to occur in December 2022, and an appellate opinion addressing the legality of broadband imputation is
likely to be issued in the first quarter of 2023. KTC believes strongly that broadband imputation is
unlawful, and if the decisions reflecting this policy are annulled or otherwise reversed, KTC reserves the
rights to modify its proposal to remove the imputed broadband revenue from the CHCF-A calculation.
28 ¹³ Pub. Util. Code § 275.6(b)(5).

Revenue Requirement	
Operating Expenses	\$ 5,480,715 ¹⁴
Return on Rate Base [Cost of Capital * Rate Base]	[8.66% * [9,502,413]]
Tax Liabilities	\$144,516
Revenue Requirement	\$ 6,448,140

The expense figure included in these revenue requirement calculations are not reasonable estimates of KTC's actual expenses from its regulated operations, as this figure results from the rote application of the corporate expense cap and operating expense limitation, which generate intrastate expense figures of \$129,573 lower than KTC's anticipated intrastate expenses for the test year. The "return on rate base" elements shown above is computed by applying a "cost of capital" of 8.66% as specified in D.16-12-035, to KTC's anticipated 2024 rate base amount. The applicant notes, however, that on September 1, 2022, KTC and the other Independent Small LECs together filed the application ("A.") 22-09-003 to adjust their applicable cost of capital percentages for future ratemaking calculations, the result of which KTC understands will be applied as the cost of capital in the present rate case proceeding.¹⁵ In the meantime, the percentage used here serves as a placeholder and to illustrate what the return on rate base would be using KTC's current rate of return, applied to its 2024 rate base.

KTC's overall annual plant additions are lower than in the last rate case. These investments must continue up to and through the test year to ensure long-term reliability and to advance the broadband-capabilities of the network so it can meet current and foreseeable broadband speed requirements.¹⁶ KTC's proposed additions in this case are driven by the continued need for ongoing investment in the multi-use network to ensure long-term reliability and advance the broadband-capabilities of the network to meet current and foreseeable broadband

¹⁴ The operating expense figure displayed here includes property tax of \$195,981. Property tax is treated as an expense because it does not vary depending on the level of income to be produced from the rate design.

¹⁵ See A.22-09-003 (proposing for KTC overall cost of capital 13.2%).

¹⁶ KTC's rate base is approximately 27% lower than the amount adopted in D.16-06-053. See *id.*, Appendix A, Line 28. This reduction is reflective of reduced investment and shifting jurisdictional percentages, by which a portion of KTC's costs are migrating to the interstate jurisdiction. This reduction largely reflects jurisdictional shifts driven by Part 36 of the FCC's rules, rather than any reduced level of investment. As explained in Mr. Clark's opening testimony, this jurisdictional trend is the result of an increase in "broadband only" lines and losses of intrastate high-capacity circuits in KTC's service territory. See *Clark Opening Testimony* at 25.

1 speed requirements.¹⁷ KTC is pursuing plant additions to achieve a Fiber to the Premises
2 (“FTTP”) architecture, which will be required for it to meet the Federal Communications
3 Commission’s (“FCC”) minimum speed capability standard of 25 Megabits per second (“Mbps”) download and 3 Mbps upload throughout its service territory, and to position the KTC to meet
4 anticipated 100/20 Mbps standard that the FCC is poised to adopt before this rate case
5 concludes.¹⁸

7 KTC’s rate design includes the five categories of regulated revenue used in intrastate
8 ratemaking, consistent with Commission precedent over the past three decades: (1) local network
9 services revenue from KTC’s end user customers based on anticipated demand at proposed rates,
10 including the proposal to update KTC’s basic residential rates from \$22.58 to \$23.50; (2) intrastate
11 switched and special access, intercarrier compensation, and intrastate access replacement funding;
12 (3) High Cost Loop Support (“HCLS”), forecasted by applying the FCC’s algorithm in 47 C.F.R.
13 Section 54.1300, *et seq.* to the best available information regarding the inputs to that formula; (4)
14 miscellaneous revenues classified as intrastate; and (5) CHCF-A, prior to applying broadband
15 imputation.¹⁹ KTC has proposed a \$1.00 increase in basic residential rates, but it also proposes to
16 incorporate all custom calling features and voice mail into basic rates for both residential and
17 business service, thereby giving customers more for their money. KTC’s rate design is
18 summarized as follows, reflecting the company’s revenue needs to fulfill its reasonable regulated

19 ¹⁷ KTC’s intrastate rate base is approximately \$4 million less than the amount adopted in its last rate case.
20 *See* D.16-06-053, Appendix A, Line 3.

21 ¹⁸ *See* FCC DOC-385322A1, July 15, 2022 News Release (noting that FCC Chairwoman Rosenworcel has
22 circulated a “Notice of Inquiry” that “proposes to increase the national broadband standard to 100 megabits
per second for download and 20 megabits per second for upload” and “proposes to set a separate national
goal of 1 Gbps/500 Mbps for the future.”), available at:

23 <https://www.fcc.gov/document/chairwomanrosenworcel-proposes-increase-minimum-broadband-speeds>.

24 ¹⁹ “Broadband imputation” involves a mandatory dollar-for-dollar reduction in CHCF-A in the amount of
25 “net revenues” generated by Audeamus from offering retail broadband service in KTC’s service territory
based on 2020 financial results, to the extent that Audeamus relies on KTC’s local loop facilities. D.21-04-
005, at 23-24 (OP 1). Audeamus’ revenues are derived from unregulated operations that are beyond the
Commission’s public utility authority and are instead subject to interstate jurisdictional determinations
26 enunciated by the FCC. Therefore, they cannot be counted as “intrastate revenue” and are not appropriate
to include in an intrastate “rate design.” Further, Audeamus’ implementation of Consumer Broadband Only
Lines (“CBOL”) changes the underlying costs for each “broadband only” line, making each line a wholly
27 interstate cost. Even if broadband imputation survives the current legal challenge from the Independent
Small LECs, imputation of revenues that are derived from wholly interstate circuits that involve exclusively
28 interstate cost recovery would be inappropriate. KTC has applied this methodology in its ratemaking
calculations with adjustments for the “broadband only” lines, which are purely interstate.

costs of service, without incorporating broadband imputation:

Operating Revenues Before Imputation	
Local Revenue	\$1,038,598
HCLS/Federal USF	1,713,934
CHCF-A Pre-Imputation	3,438,015
Intrastate Network Access Revenues	153,980
Miscellaneous Revenues	103,813
Less: Uncollectible Revenues	-200

Using the above CHCF-A figures as a starting point, KTC then accounts for the effects of voice/broadband lines imputation through a bottom line adjustment to CHCF-A. Using the KTC CBOL adjusted imputation number, there is no adjustment as the Audeamus net income is negative.²⁰ This Application is backed by extensive documentation, straightforward calculations, and the testimony of three company witnesses and one expert witness, as follows:

(1) **Rhonda Armstrong**, KTC's Vice President of Administrative Services, provides an overview of KTC's service territory and operations; summarizes its ratemaking proposal; and addresses the need for rates to remain affordable in the company's service territory.

(2) **David Clark**, KTC's Regulatory Manager, provides the calculations supporting KTC's ratemaking proposal; outlines the company's proposed end user rates and overall rate structure; addresses the company's cost allocations and affiliate transactions; discusses the company's rate base, anticipated plant additions, overall network improvement plans; and summarizes the company's strong service quality record.

(3) **Tom Dominico**, Vice President of Technology, explains the company's proposed infrastructure expenditures and capital construction and underscore the critical need for these investments; and describes the company's safety practices and emergency

²⁰ If the full Audeamus net income were used (assuming no CBOL adjustment) the resulting revenue produces an overall rate design that does not meet the company's revenue needs, fails to recover its costs of service, and leaves it below its authorized rate of return by <<START CONFIDENTIAL [REDACTED] END CONFIDENTIAL>>

1 response protocols.

2 (4) **Dr. Lehman**, an economist and expert on affordability of utility service, explains why
3 KTC's rates should not be increased beyond the \$1.00 proposed increase that KTC has
4 presented for basic residential rates.
5

6 On the same day this Application is filed, KTC has served its testimony on the Commission's
7 Communications Division, Cal Advocates, and the Administrative Law Judge ("ALJ") Division.

8 **II. LEGAL REQUIREMENTS AND RATEMAKING STANDARDS.**

9 The ratemaking standards governing this case derive from three sources: constitutional
10 authorities, statutory requirements, and the Commission's directives implementing rate-of-return
11 regulation and the CHCF-A program. KTC believes that some of the Commission's regulations
12 adopted in the CHCF-A rulemaking (R.11-11-007) materially conflict with constitutional and
13 statutory standards, but KTC has nevertheless applied these rules in this Application.

14 **A. Constitutional Standards.**

15 Constitutional requirements focus on ensuring that regulated utilities have a fair
16 opportunity to earn a reasonable return on their investments in property that they put to public use.
17 Where a state commission adopts a utility rate structure that fails to "afford sufficient
18 compensation," it has illegally appropriated "the use of utility property without paying just
19 compensation and so violated the Fifth and Fourteenth Amendments." *Duquesne Light Co. v.*
20 *Barasch*, 488 U.S. 299, 308 (1989); *see also Federal Power Commission v. Hope Natural Gas*
21 *Co.*, 320 U.S. 591, 603 (1944); *Bluefield Water Works & Improvement Co. v. Pub. Service*
22 *Comm'n of West Virginia*, 262 U.S. 679, 690-693 (1923); Cal. Const., art. I, § 19. If a
23 Commission-imposed rate structure leaves a company with "insufficient operating capital or . . .
24 imped[es] [the] ability to raise future capital," or if a rate would be "inadequate to compensate
25 current equity holders for the risks associated with their investments," the rate structure is
26 unconstitutional. *Duquesne, supra*, 488 U.S. at 312.²¹

27 ²¹ Separately, a *per se* taking results when a governmental agency physically takes possession of an interest
28 in property for an actual or alleged public purpose. *Brown v. Legal Foundation of Washington*, 538 U.S.
216, 233-234 (2003) (analyzing legal authority for *per se* takings); *Loretto v. Teleprompter Manhattan*
CATV Corp., 458 U.S. 419 (1982).

1 These constitutional standards are paramount and govern this ratemaking matter; however,
2 some of the regulatory requirements adopted in Phase 2 of the CHCF-A rulemaking conflict with
3 these constitutional standards by artificially understating KTC's revenue requirements and
4 institutionalizing shortfalls in the revenue needed to fulfill those revenue requirements. The
5 Commission's current rules will deny KTC its constitutionally-guaranteed reasonable opportunity
6 to achieve earnings needed to provide adequate service to its subscribers, cover its costs and tax
7 liabilities, and fairly compensate its investors for investments in public utility plant.

8 **B. Statutory Standards.**

9 KTC's ratemaking proposals are crafted in accordance with the primary statutory direction
10 governing the development of ratemaking metrics and rate structures for "small independent
11 telephone corporations," Public Utilities Code Section 275.6. By law, the Commission must:

12 Employ rate-of-return regulation to determine a small independent telephone
13 corporation's revenue requirement in a manner that provides revenues and earnings
14 sufficient to allow the telephone corporation to deliver safe, reliable, high-quality
15 voice communication service and fulfill its obligations as a carrier of last resort in its
16 service territory, and to afford the telephone corporation a fair opportunity to earn a
17 reasonable return on its investments, attract capital for investment on reasonable
18 terms, and ensure the financial integrity of the telephone corporation.

19 Pub. Util. Code § 275.6(c)(2). The cornerstone of the ratemaking process for small independent
20 telephone companies is the computation of a reasonable "revenue requirement" that reflects a
21 company's reasonable costs of service, including a reasonable return on the company's
22 investments. Pub. Util. Code § 275.6(b)(5). Once a "revenue requirement" is established, the
23 Commission must "then fashion[] a rate design to provide the company a fair opportunity" to earn
24 a reasonable rate of return on its rate base. Pub. Util. Code § 275.6(b)(4)-(5).

25 In applying rate-of-return regulation to small independent telephone corporations, the
26 Commission must also ensure that customer rates are "just and reasonable" and "reasonably
27 comparable" to urban rates. Pub. Util. Code § 275.6(c)(3). It must "[p]romote customer access to
28 advanced services and deployment of broadband-capable facilities," include "all reasonable
investments necessary to provide for the delivery of high-quality voice communication services
and the deployment of broadband-capable facilities in . . . rate base," and provide sufficient
CHCF-A support to "supply the portion of the revenue requirement that cannot reasonably be

1 provided by the customers of each small independent telephone corporation after receipt of federal
2 universal service rate support.” Pub. Util. Code §§ 275.6(c)(4)-(6). These ratemaking features are
3 dictated by statute and non-waivable.

4 **C. Phase 1 and Phase 2 Decisions in CHCF-A Rulemaking.**

5 The CHCF-A rulemaking, R.11-11-007, has been open for nearly 11 years, and it has
6 resulted in three significant decisions modifying the substantive ratemaking standards for small
7 independent telephone corporations, including KTC. First, the Commission issued the Phase 1
8 Decision, D.14-12-084, which provided the ratemaking foundation for KTC’s last rate case.
9 Second, the Commission issued its Phase 2 “Broadband Imputation Decision,” D.21-04-005,
10 authorizing reductions in CHCF-A based on the net profits of ISP affiliates of small independent
11 telephone corporations. Third, the Commission issued a “Phase 2 Ratemaking Decision,” D.21-
12 06-004, implementing additional changes to the treatment and calculations of expenses,
13 investments, and rates in the upcoming round of rate cases for small independent telephone
14 corporations. The Phase 2 Ratemaking Decision was later modified and clarified in minor
15 respects in response to the Independent Small LECs’ request for rehearing. *See* D.22-02-027 at 8-
16 10 (OP 1-2). Collectively, these three decisions enunciate four main directives that are relevant to
17 this rate case:

18 **1. “Range of Reasonableness” for Customer Rates:** The Phase 1 Decision adopted
19 a “range of reasonableness” for end user rates of \$30 to \$37. D.14-12-084 at 102 (OP 9). The
20 Phase 2 Ratemaking Decision modified the “range of reasonableness” to reflect a range of “all-
21 inclusive” basic residential rates of \$30 to \$40. D.21-06-004 at 42 (OP 3). This decision defines
22 the “all-inclusive” residential basic service rate to include “[a]ll telephone access charges,
23 including the Subscriber Line Charge,” all Commission-mandated public policy fund surcharges,
24 the 911 surcharge, and the CPUC user fee. D.21-06-004 at 41 (OP 1).

25 **2. Expense Caps:** The Phase 1 Decision applied the FCC’s corporate expense cap to
26 intrastate ratemaking, even though that mechanism was developed strictly for federal high-cost
27 support purposes. D.14-12-084 at 100-101 (OPs 2-3). Based on the Phase 1 Decision, corporate
28 expenses were presumed to be limited to the formulaic output of the cap, but the results of this

1 limitation could be rebutted with evidence showing that a level of expense above the cap would be
2 reasonable. *Id.* at 28-29. In the Phase 2 Ratemaking Decision, the Commission confirmed the
3 imposition of the corporate expense cap, but removed the rebuttable presumption, making the cap
4 “non-rebuttable.” D.21-06-004 at 43 (OP 6). In addition, in Phase 2 of the CHCF-A rulemaking,
5 the Commission imported another federal expense limitation into intrastate ratemaking, applying
6 the FCC’s “operating expense limitation” as a non-rebuttable restriction on overall intrastate
7 operating expenses. *Id.* at 43 (OP 7). In adopting these rigid expense limitations, the Commission
8 also foreclosed separate recovery of rate case expense, which means KTC must adjudicate this
9 formal case without any support through its rates, high cost support, or other regulated revenues.
10 *Id.* at 24 (“we clarify that rate case litigation expense is subject to the corporate expense cap and
11 must be recorded in FCC Account 6720”).²²

12 **3. Rate Base Calculations Using NECA Cost Study:** The Phase 2 Ratemaking
13 Decision requires the use of the most recent National Exchange Carrier Association (“NECA”)
14 cost study as the “starting point” for each company’s proposed rate base for its test year, subject to
15 reasonable adjustments for changes that have occurred since the date of the NECA cost study,
16 including plant additions and retirements.²³ *Id.* at 44 (OP 10), 40 (COLs 9-10). The NECA cost
17 study is also the source of the jurisdictional factors used to determine the intrastate component of
18 KTC’s operations. *Id.* at 43 (OP 8).

19 **4. Broadband Imputation:** The Phase 2 Broadband Imputation Decision requires
20 the imputation of Internet access revenues as a reduction to CHCF-A support. The imputation
21 mechanism encompasses “all reasonable positive retail broadband-related revenues” of a small
22

23 ²² The Commission’s treatment of rate case expense is at odds with constitutional requirements, as
24 articulated by the United States Supreme Court. As the Supreme Court has found, in a “proceeding by a
25 commission to determine [the] reasonableness” of regulated utility rates, “the utility should be allowed the
26 fair and proper expenses for presenting its side to the commission.” *Driscoll v. Edison Light & Power Co.*,
307 U.S. 104, 120-121 (1939); *see also West Ohio Gas Co. v. Public Utilities Comm’n of Ohio*, 294 U.S.
63, 73-74 (1935) (invalidating utility rate structure that did not provide recovery for rate case expense).

27 ²³ NECA is an independent association that performs certain administrative, tariffing, and interstate
28 ratemaking functions on behalf of the FCC. *See* 47 C.F.R. § 69.601. Among other duties, NECA collects
cost information from rural telephone companies for use in computing interstate revenue requirements and
determining eligibility and the extent of companies’ needs for federal high-cost support. *See* 47 C.F.R. §§
54.1305 (describing cost information submitted to NECA), 54.1307 (mandating submission of cost
information to the FCC).

1 independent telephone corporation’s ISP affiliate “for the calendar year immediately preceding the
2 filing of the GRC application.” D.21-04-005 at 23-24 (OP 1). The imputed broadband revenues
3 shall not include “revenues derived from areas outside of the Small ILEC’s telephone service
4 territory and revenues resulting from alternative service platforms that are not based upon the
5 Small ILEC’s local exchange facilities.” *Id.*

6 The Commission’s decisions in the CHCF-A proceeding also address other ratemaking
7 issues, including confirming the treatment of license and lease revenue under NECA Reporting
8 Guideline 8.3, establishing the factors to evaluate investments in broadband-capable facilities, and
9 confirming the conditions under which reductions in federal funding can be recovered. *See* D.21-
10 04-006 at 42 (OP 4); D.14-12-084 at 62, 71. KTC will discuss these additional standards to the
11 extent that they are relevant to the proposals presented herein.

12 **III. RATEMAKING PROPOSAL FOR TEST YEAR 2024.**

13 KTC’s ratemaking proposal is consistent with the Commission’s directives, including the
14 requirements in Phases 1 and 2 of the CHCF-A proceeding. Although KTC believes that some of
15 the Commission’s policies violate statutory and/or constitutional requirements, and KTC reserves
16 all rights with respect to those issues, it has followed the Commission’s directives in crafting its
17 proposed revenue requirement and rate design. If the Commission’s CHCF-A Phase 2
18 requirements are annulled or modified in the future, KTC will seek appropriate adjustments to its
19 ratemaking calculations at that time.

20 **A. Revenue Requirement.**

21 Consistent with statutory and constitutional ratemaking standards, KTC’s revenue
22 requirement includes: (1) operating expenses, as limited by the corporate expense cap and
23 operating expense limitation; (2) return on rate base, with a rates of return computed using KTC's
24 current Commission -authorized cost of capital of percentage of 8.66%; and (3) tax liabilities,
25 using the current corporate tax rates.²⁴ The following equation summarizes KTC’s revenue

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27 ²⁴ *See* Pub. Util. Code § 275.6(b)(5) (“revenue requirement” means “amount that is necessary for a
28 telephone corporation to recover its reasonable expenses and tax liabilities and earn a reasonable rate of
return on its rate base.”); *see also* Pub. Util. Code § 275.6(c)(2) (summarizing the function of revenue
requirement, including ensuring “revenues and earnings sufficient to allow the telephone corporation to

1 requirement:

$$2 \text{ Revenue Requirement} = \text{Operating Expenses} + (\text{Cost of Capital} \times \text{Rate Base}) + \text{Tax Liability}$$

3 KTC's revenue requirement is reasonable, prudent, and accurate as a measurement of the
4 costs KTC is likely to experience in test year 2024—within the parameters of the Commission's
5 restrictions on corporate and operating expenses. The extensive testimonial and documentary
6 evidence supplied with this Application amply demonstrate the reasonableness of KTC's costs for
7 the test year. The combination of these costs is KTC's intrastate revenue requirement of
8 \$6,448,140, which should be adopted as the revenue target for its 2024 rate designs. The
9 following discussion addresses the components of the revenue requirement.

10 **1. KTC's Intrastate Operating Expenses Are Computed Using the**
11 **Expense Caps Adopted in Phase 2 of the CHCF-A Proceeding, With**
12 **Appropriate Inflationary Adjustments to Grow the Historical Caps**
Into the 2024 Test Year.

13 Based on constitutional and statutory ratemaking standards, KTC is entitled to recover its
14 reasonable operating expenses in connection with providing regulated local exchange service.
15 Pub. Util. Code § 275.6(b)(5). However, rather than evaluating the reasonableness and prudence
16 of KTC's specific expenses, the Commission has chosen a formulaic approach to identifying
17 recoverable expenses. First, the Commission requires that the companies apply the FCC's
18 "corporate expense cap." D.21-06-004 at 43 (OP 6). Second, the Commission has directed small
19 independent telephone corporations to "adhere to the [FCC's] standards for operating expense
20 limits in their General Rate Cases." *Id.* at 43 (OP 7). Neither of these federal restrictions on
21 recoverable expenses were designed to apply to intrastate operations, and their imposition on
22 intrastate expenses results in arbitrary exclusions of expenses that are necessary for KTC to
23 provide regulated telephone service in California. These caps do not account for the high cost of
24 living in California or the intensive regulatory environment in which KTC operates. Nevertheless,
25 the Commission has deemed these limitations to be "non-rebuttable" such that "expenses above

26 _____
27 deliver safe, reliable, high-quality voice communication service" and "afford the telephone corporation a
28 fair opportunity to earn a reasonable return on its investments."); *Hope Natural Gas, supra*, 320 U.S. at 603
(emphasizing constitutional requirement to ensure "financial integrity" of the utility in ratemaking);
Calaveras Telephone Co. v. Pub. Util. Comm'n, 39 Cal.App.5th 972, 976 (2019) ("revenue requirement is
the amount a telephone corporation needs to recover its 'reasonable expenses and tax liabilities and earn a
reasonable rate of return on its rate base,' *i.e.*, investments").

1 those limits will be considered unreasonable.” *Id.* (OPs 6-7).

2 Despite KTC’s objections to the use of these arbitrary expense caps, KTC has faithfully
3 applied them in its calculations of intrastate operating expenses and corporate expenses for test
4 year 2024. These limitations are calculated on a “total company” basis for each company, and
5 then the total expenses are subjected to the jurisdictional separations process, ensuring that only
6 the capped intrastate expenses are included in KTC’s intrastate ratemaking calculations. KTC’s
7 actual intrastate corporate expenses for 2024 are anticipated to be \$1,105,794 but the corporate
8 expense cap restricts the recoverable portion of those expenses to \$976,222.²⁵ *See Clark Opening*
9 *Testimony, Exhibit DC-1, Schedule “Corp Ops Exp Cap”* at lines 19-21 KTC’s actual intrastate
10 operating expenses applicable to the operating expense cap calculation for 2024 are expected to be
11 \$4,163,936. This level of expense is below the operating expense cap and therefore recoverable
12 in full. *See Clark Opening Testimony, Exhibit DC-1, Schedule “Tab Op Ex Cap.”*

13 In computing the appropriate expense caps for the 2024 test year, KTC has applied
14 appropriate inflationary adjustments to ensure that the outputs of the formulas match the 2024 test
15 year as opposed to the historical time periods from which the formulas are derived. Both the
16 corporate expense cap and the operating expense limitation are inherently backward-looking
17 metrics, as both are applied in the context of NECA cost studies, which rely on two-year-old
18 expense data. *See* 47 C.F.R. §§ 54.1305 (noting that NECA cost studies are submitted on July 31st
19 and rely on data from the previous calendar year), 54.1307 (NECA provides October 1 submission
20 to establish federal support for upcoming year), 54.1308(a)(4) (applying corporate expense cap to
21 historical cost study data), 54.303 (applying operating expense limitation “for purposes of
22 calculating universal service support”). The Commission recognizes this disconnect and has noted
23 that “[t]o adjust the operating expense cap with a future test year, NECA’s inflation factor should

24
25 ²⁵ KTC notes that these figures include an estimate of rate case expense, reflecting the reasonably
26 anticipated cost of this regulatory process, amortized over a five-year period. *See Clark Opening*
27 *Testimony, Exhibit DC-1, Schedule “2024 Projection.”* Based on KTC’s experience the total rate case
28 expense associated with this application proceeding is anticipated to be at least \$1,000,000 divided equally
by KTC and FTC. By applying the expense caps without any adjustment, the Commission has
systematically excluded recovery of this critical expense, forcing KTC to navigate this costly process
without support. This result is contrary to standard rate-of-return regulatory principles across utility
sectors, which recognize rate case expense as a reasonable expense. *See* D.96-12-074 at 12-13; D.14-12-
038 at 13-14; D.05-08-004 at 18-19; and D.16-07-003 at 50-51.

1 be added to the FCC’s operating expense cap to true-up the historical data.” D.21-06-004 at 27.

2 As of the date of this application, the most recent NECA inflation factors only provide
3 updates to the Gross Domestic Product-Chained Price Index (“GDP-CPI”) through calendar year
4 2021, three years short of the 2024 test year. KTC’s most recent NECA cost study is the
5 submission made to NECA in July 2022, which will inform the cost determinations that NECA
6 makes in connection with setting KTC’s respective HCLS support for 2023. The cost study
7 submitted in July 2022 relies on expense data from 2021, consistent with FCC rules. *See* 47
8 C.F.R. § 54.1305. The inflationary factor released in NECA’s October 1 submission to the FCC
9 updates the expense caps to match the 2021 data KTC submitted with its cost 2021 study.
10 However, to properly reflect 2024 expenses, it must be updated for three years of inflation to
11 account for increased expenses during 2022, 2023, and 2024. This update is especially important
12 given the extreme level of inflation that the U.S. economy is experiencing; the most recent GDP-
13 CPI was 4.1%.²⁶ The details reflecting these adjustments are set forth in Mr. Clark’s testimony.
14 *See Clark Opening Testimony*, Exhibit DC-1, Schedule “Proj Grwth Rates.” As Mr. Clark
15 explains, NECA issued a letter to its California members in August 2022 to confirm the historical
16 vintage of the inflation factors, consistent with KTC’s explanation here. *Clark Opening Testimony*
17 at 56-57.

18 While KTC does not agree with the use of formulaic expense caps for the 2024 test year,
19 the Commission should ensure that the efficiency objectives underlying this mechanical approach
20 are realized in this case. Based on the characterization of these caps as “non-rebuttable” and the
21 Commission’s stated goal of using the expense caps to “streamline the GRC process,” there should
22 be no debate in this proceeding over the appropriate level of KTC’s expenses. D.21-06-004 at 34.
23 The Commission should simply apply the formulas and adopt the resulting figures, subject to the
24 inflationary adjustments noted above. Importantly, the Commission expressed an expectation that
25 the use of these caps would “eliminate or reduce the number of data requests that are generally
26 provided during a typical GRC.” *Id.* at 27. In KTC’s most recent rate case, Cal Advocates
27

28 ²⁶ This figure was pulled from the U.S. Department of Commerce Bureau of Economic Analysis. The link
can be found here: <https://www.bea.gov/data/prices-inflation/gdp-price-index>.

1 propounded dozens of detailed data requests addressing expenses, greatly increasing rate case
2 expense. The Commission should closely monitor discovery in this proceeding to avoid this result
3 here, consistent with its reasoning behind the expense caps.

4 **2. KTC's Depreciation Expense Is Backed by a Depreciation Study**
5 **Reflecting Established Methods for Measuring the Diminution in Value**
6 **of KTC's Plant Over Time.**

7 As part of the "reasonable expenses" included in KTC's revenue requirement, KTC
8 expects to experience \$1,036,276 in intrastate depreciation expense for KTC during the test year.
9 Pub. Util. Code § 275.6(b)(5) (authorizing inclusion of all "reasonable expenses" in revenue
10 requirement). Consistent with federal regulations, these figures reflects the "loss not restored by
11 current maintenance, incurred in connection with the consumption or prospective retirement of
12 telecommunications plant in the course of service" 47 C.F.R. § 32.9000. The inevitable
13 diminution in the value of plant over time reduces a utility's rate base and produces a
14 corresponding depreciation expense for the test year.²⁷ Both impacts have been incorporated into
15 KTC's revenue requirement calculations.

16 Mr. Clark has conducted a comprehensive depreciation study to determine the remaining
17 useful life of KTC's assets and the rates at which those assets are losing value. Pursuant to FCC
18 rules and Commission precedent, the study computes depreciation "in conformity with a group
19 plan of accounting." 47 C.F.R. § 32.2000(g)(1). This "group plan" is a "mass asset" depreciation
20 method, by which assets with common characteristics are evaluated collectively to identify the rate
21 at which each "class" of assets loses value. The "classes" of assets used in the calculation are
22 defined by the plant accounts in the FCC's Uniform System of Accounts ("USOA"), which is
23 codified at Part 32 of the FCC's rules. *See* Code Fed. Regs., title 47, subpart C, § 32.2000, *et seq.*
24 Mr. Clark has analyzed the useful life of KTC's assets in each of these categories and has
25 projected the effects of depreciation on the assets up to and including the test year. The
26 depreciation study also accounts for anticipated plant additions and retirements.

27 The depreciation rates and lives stemming from Mr. Clark's study are set forth in Exhibit
28 DC-1 to his testimony. *Clark Opening Testimony*, Exhibit DC-1, Schedules "DeprComp," "SL

²⁷ *See* D.04-05-055 at 48-49 ("[d]epreciation expense is a function of plant in service, the rate at which various classes of plant are expected to depreciate (service lives), and estimated salvage value.").

Method," "AddsRetires," "Composite." These same rates are replicated in **Exhibit B** to this Application for ease of reference. KTC asks that these modified rates be adopted and that the resulting depreciation expenses be included in KTC's intrastate revenue requirements.

3. KTC's Rate Base Figures Reflect Historical Net Plant Figures Combined with Critical Plant Additions Necessary to Satisfy Forward-Looking Customer Demand, Comply with Regulatory Requirements, Promote Network Resiliency, and Fulfill State Universal Service Policy Objectives.

Rate base consists of the net, depreciation-adjusted value of the assets that a company has dedicated to public service combined with the reasonably foreseeable value of plant additions needed during the test year. *Pacific Tel. & Tel. Co. v. Pub. Util. Comm'n*, 62 Cal.2d 634, 644-645 (1965) (rate base is the "value of property devoted to public use" less depreciation). In exercising its ratemaking authority, the Commission must take steps to "[p]romote customer access to advanced services and deployment of broadband-capable facilities in rural areas" Pub. Util. Code § 275.6(c)(5). By law, the Commission must "[i]nclude all reasonable investments necessary to provide for . . . the deployment of broadband-capable facilities in the rate base of small independent telephone corporations." Pub. Util. Code § 275.6(c)(6). In computing rate base, the Commission must also approve investments that are "reasonably necessary to provide regulated voice services and access to advanced services." Pub. Util. Code § 275.6(b)(2); *see also* Pub. Util. Code § 275.6(c)(2) (requiring the Commission to employ rate-of-return regulation to provide for safe, reliable, high-quality voice service). As part of promoting reliable service, the Commission has strongly encouraged carriers to invest in resilient infrastructure with physical and functional redundancy, to ensure that networks remain viable during emergencies.²⁸

Consistent with this Legislative and regulatory policy direction, KTC is pursuing FTTP upgrades and other network improvements to equip its networks with enhanced resiliency, additional broadband capabilities, and forward-looking scalability to enable safe, reliable voice service and an evolving level of access to advanced services. These investments are essential for

²⁸ D.21-02-029 at 33 ("The wireline providers – in coordination with emergency responders and each level of government – have a responsibility to prepare and leverage technologies to mitigate and prevent the disruption of service . . . the wireline providers should strive toward immediate recovery from disruption of their network and minimize the likelihood of outages to end users. Regrettably the infrastructure investments for wireline network resiliency cannot be made overnight.").

1 meeting current and forward-looking customer needs and to comply with current and forward-
2 looking regulatory requirements. *See Dominico Opening Testimony* at 10; *see also* D.14-12-084
3 at 96 (COL 17) (permitting “reasonable investments necessary to provide for the delivery of high-
4 quality voice communication services and the deployment of broadband-capable facilities in . . .
5 rate base.”). KTC’s proposed FTTP investments will enhance broadband capabilities and provide
6 for more reliable voice connections, so they are appropriate for inclusion in rate base in
7 accordance with statutory directives.

8 State and federal policy support KTC’s planned broadband-capable investments as part of
9 an effort to bridge the “digital divide.” *See* Pub. Util. Code § 709(d) (expressing California policy
10 of bridging the “digital divide” by “encouraging expanded access to state-of-the-art technologies
11 for rural . . . Californians.”). In 2018, the FCC explained that “access to 25/3 Mbps broadband
12 service is not a luxury for urban areas, but important to Americans wherever they live.”²⁹ Since
13 that time, FCC Chairwoman Rosenworcel has pushed for higher minimum speed standards, noting
14 that “[t]he 25/3 metric isn’t just behind the times, it’s a harmful one because it masks the extent to
15 which low-income neighborhoods and rural communities are being left behind and left offline.”³⁰
16 KTC’s network advancements will further California’s and the FCC’s important policy objectives,
17 anticipate future broadband requirements, and address forward-looking customer needs. *See*
18 *Dominico Opening Testimony* at 7, 10-11. Moreover, both federal and state policy are moving
19 toward a goal of 100 Mbps download as the new minimum broadband capability objective.³¹

20 Currently, the FCC conditions federal high-cost funding upon the fulfillment of broadband
21

22 ²⁹ *ETC Reform Order* at ¶ 3; *see also In the Matter of Inquiry Concerning Deployment of Advanced*
23 *Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket No. 20-
24 269, *Fourteenth Broadband Deployment Report*, FCC 21-18 (rel. Jan. 19, 2021) (“2021 Broadband
Deployment Report”) at ¶¶ 4, 9 (despite significant improvements, “it remains the case that rural and Tribal
areas continue to lag behind in broadband deployment” and “our work to close the digital divide is not
complete”).

25 ³⁰ *See* FCC DOC-385322A1, *July 15, 2022 FCC News Release*, available at:

26 <https://www.fcc.gov/document/chairwoman-rosenworcel-proposes-increase-minimum-broadband-speeds>.

27 ³¹ *See Newsom Exec. Order* N-73-20 (“[D]eploying affordable and reliable broadband networks throughout
California will accelerate continuous improvements in economic and workforce development,
infrastructure, public safety, education, economy, and an engaged citizenry.”); Pub. L. 117-58 (2021), §
28 60102 (federal infrastructure legislation defined “underserved” areas to be those with speeds of less than
100 Mbps download and 20 Mbps upload for the purpose of broadband grant proposals); *see also* 47 U.S.C.
§ 1702.

1 deployment objectives for “Eligible Telecommunications Carriers” like KTC, including
2 satisfaction of minimum broadband speed standards of 25 Mbps download and 3 Mbps upload.
3 *ETC Reform Order* at ¶¶ 3, 101. Based on recent signals from the FCC, this threshold will soon
4 be changed to 100/20 Mbps.³² As minimum speed capability thresholds increase to 100/20 Mbps
5 and beyond, only fiber investments will allow KTC to satisfy regulatory demands and customer
6 needs. *Dominico Opening Testimony* at 10-11. For many years, KTC has been pursuing an
7 incremental approach to network modernization, with a focus on pushing fiber closer and closer to
8 customer locations. Failing to make the ongoing investments to enable FTTP would likely result
9 in reductions in federal support for non-compliance with KTC’s forward-looking ETC obligations.
10 *See* 47 C.F.R. § 54.313(f)(1)(i) (summarizing certification that ETCs must make that they are
11 “taking reasonable steps” to fulfill requests for service at FCC-specified levels); *see also* 47 C.F.R.
12 § 54.320 (imposing penalties for falling short of build-out milestones). Any resulting reductions
13 in federal support would put further strain on other intrastate revenue sources to fulfill KTC’s
14 revenue requirements, including end user revenues and the CHCF-A. *See* Pub. Util. Code §
15 275.6(c)(4) (CHCF-A must “supply the portion of the revenue requirement that cannot reasonably
16 be provided by the customers . . . after receipt of federal universal service rate support.”).

17 KTC’s test year projects and network upgrades also address the factors set forth in the
18 Phase 1 CHCF-A decision for evaluating broadband capable network investments—including
19 regulatory requirements, customer demand, network redundancy, public safety, service quality,
20 and the presence of anchor institutions. D.14-12-084 at 71, 102 (OP 10). An FTTP architecture
21 will position KTC to meet forward-looking demand as speed requirements continue to advance.
22 *See Dominico Opening Testimony* at 10-11 (explaining customer demand for higher speeds and
23 more reliability). As KTC’s witnesses explain, its FTTP investments will provide critical social,
24 economic, educational, network redundancy, public safety and enhanced service quality benefits.
25 *See Dominico Opening Testimony* at 6-16; *Armstrong Opening Testimony* at 8-10; *see also*
26 Executive Order N-73-20 (“deploying affordable and reliable broadband networks throughout
27 California will accelerate continuous improvements in economic and workforce development,

28 ³² *See* FCC DOC-385322A1, *July 15, 2022 FCC News Release* (confirming FCC intent to move toward
100/20 Mbps minimum speed capability standard).

1 infrastructure, public safety, education, economy, and an engaged citizenry.”).

2 These benefits are especially critical now because many of KTC’s customers need robust
3 broadband services for distance learning, remote work and telehealth. KTC provides reliable
4 wireline services and a broadband-capable network, which are essential to its customers. The
5 effects of the COVID-19 pandemic only underscored this reliance, making it vital that KTC has
6 the tools to continue investing in its service areas. *See id.* (noting that “the COVID-19 pandemic
7 has amplified the extent to which broadband is essential for public safety, public health, and
8 economic resilience.”); *2021 Broadband Deployment Report* at ¶1 (“With many jobs, schools, and
9 healthcare services shifting to virtual environments in the wake of the ongoing COVID-19
10 pandemic, the need to deliver broadband connectivity across America has never been greater.”).
11 In evaluating this application, the Commission should carefully consider the forward-looking costs
12 that will be necessary to ensure KTC is ready to respond expeditiously and fully to the next
13 situation and beyond.

14 **4. KTC’s Revenue Requirement Includes a Return on Rate Base Using**
15 **the Current Commission-Adopted Cost of Capital.**

16 The “return on rate base” component of KTC’s revenue requirement is computed by
17 multiplying the 2024 rate base by the overall cost of capital percentage established for KTC in
18 D.16-12-035. *See* Pub. Util. Code § 275.6(b)(5) (recognizing “return on rate base” as a revenue
19 requirement element); D.16-12-035 at 58 (OP 1 (e)) (adopting a 8.66% cost of capital for KTC).
20 KTC, along with the other nine Independent Small LECs, have filed a separate application to
21 determine a new cost of capital, which KTC expects to be implemented in its 2024 test year.³³
22 Until that new cost of capital is established, KTC will continue to use its existing Commission-
23 approved percentages in the calculations that inform this rate case.

24 KTC notes that the investment component of KTC’s revenue requirement includes only a
25 “return on rate base,” as authorized by the governing statute. *See* Pub. Util. Code § 275.6(b)(5).
26 Neither KTC’s overall revenue requirement nor any of the individual components of the revenue
27 requirement constitute capital contributions. Rather, investment capital is supplied by the
28 company either from retained earnings or from loans. Revenue requirement includes only a return

³³ *See* A.22-09-003 (proposing adjustments to cost of capital for implementation in KTC’s next rate case).

on rate base, not capital investments themselves.

5. KTC's Tax Liabilities Are Computed Based on Its Anticipated Return on Rate Base Using an Established Tax Gross-Up Methodology.

KTC's revenue requirements must include a reasonable forecast of the tax liabilities that the company expects to experience during the test year. Pub. Util. Code § 275.6(b)(5) (revenue requirement must include "reasonable . . . tax liabilities"). Unlike operating expenses, tax liabilities are not subject to any overall cap, and they are computed as a straightforward function of the net income reflected in the company's intrastate results of operations. Based on its intrastate rate base figures and current Commission-approved cost of capital percentages, KTC would derive the following net income under its proposal:

	Intrastate Rate Base	Cost of Capital	Return on Rate Base
Net Income	\$9,502,413	8.66%	\$822,909

Applying the current federal corporate tax rate of 21%, the California corporate tax of 8.84% to these net income figures, and accounting for appropriate tax deductions, KTC's 2024 intrastate tax liabilities are anticipated to be \$144,516, including the amortization of excess deferred income taxes. *See* 26 U.S.C. § 11 (imposing current federal corporate tax rate is 21%); Rev. & Tax Code § 23151(e) (imposing 8.84% California corporate tax rate).

Consistent with Commission precedent, KTC has implemented the tax component of its revenue requirement by applying a "tax gross up" to its return on rate base. This "gross up" applies a composite income tax factor of 27.98%, which equates to a "Net to Gross Multiplier" of 1.3886, to KTC's anticipated 2024 pre-tax net income to determine the amount by which this income would have to increase to pay the taxes attendant to its respective level of income. The same approach was approved in KTC's previous rate case and is shown in Exhibit DC-1 to Mr. Clark's testimony. *Clark Opening Testimony*, Exhibit DC-1, Schedule "NETGRCMULT."

B. Rate Design.

1. Proposed End User Rates and Resulting Revenues.

Based on the economic conditions in KTC's service territory and the significant rate increase that took effect for KTC's customers in 2016, further rate increases are not warranted.

1 However, KTC is aware of Cal Advocates' persistent advocacy by which it seeks to raise rates on
2 rural telephone company customers, and it is proposing the same residential rate increases that Cal
3 Advocates proposed in each of the three pending "Group A" cases.³⁴ Specifically, KTC proposes
4 to raise its existing basic tariffed residential rate from \$22.58 to \$23.50. The resulting "all-
5 inclusive" residential rate would be \$34.27, which falls toward the middle of the Commission's
6 \$30.00 to \$40.00 "range of reasonableness."³⁵ No business rate increase is appropriate because
7 KTC's rate is already higher than most other rural telephone companies, including FTC.

8 In isolation, this \$0.92 rate increase would not be reasonable because it is unnecessary to
9 meet the Commission's "reasonably comparable" standard and KTC's residential rates already fall
10 well within the Commission's updated "range of reasonableness" adopted in Phase 2 of the
11 CHCF-A rulemaking.³⁶ However, KTC is prepared to embrace these higher rates provided that
12 the Commission also approves KTC's proposal to modernize its rates by including all custom
13 calling features and voice mail service in basic rates at no additional charge. As Mr. Clark
14 explains, this restructuring of KTC's rates is appropriate to ensure that it can meet evolving
15 customer expectations and position itself to compete with Voice over Internet Protocol ("VoIP")
16 providers and wireless carriers, who already offer packages with all of these features for a single
17 price. *Clark Opening Testimony* at 72. This proposal also has public safety dimensions, as
18 services like call-forwarding and voice mail can provide important functionalities to customers
19 who are displaced by emergencies. *See, e.g.,* D.19-08-025 at 66 (requiring waivers of call
20 forwarding installation and one month of call forwarding service in response to declaration of state
21 of emergency). Likewise, victims of domestic violence or other individuals who highly value
22 privacy and those trying to avoid "robo-call" nuisance calls may regard caller-ID services as vital.
23 The Commission should give customers the flexibility to use these services as they need them,
24 without having to predict when they might be needed and pay for them separately. Only by
25 incorporating this rate modernization into KTC's rate design are the \$0.92 rate increases justified.

27 ³⁴ A.21-11-005 (Sierra), Exh. PAO-01 (*Ahlstedt Testimony*) at 1-9; A.21-11-006 (Volcano), Exh. PAO-03
28 (*Ahlstedt Testimony*) at 1-9; A.21-11-007 (Siskiyou), *Revenue and Rate Design Testimony* (Benny Corona)
at 2-2.

³⁵ D.21-06-004 at 41 (OP 1).

³⁶ *Id.*; Pub. Util. Code § 275.6(c)(3).

1 The Commission should not adopt rate increases any higher than KTC’s proposal. KTC’s
2 service territory has low-income and middle-income households, with most workers either
3 engaged in agriculture or commuting to the greater Fresno area. KTC’s proposal is designed to
4 avoid large residential rate increases that could materially harm customers in these areas, who
5 were already struggling in the wake of COVID-19, along with rising inflation, skyrocketing gas
6 prices, and other regional economic impacts that make it unreasonable to raise prices for essential
7 services. The business communities are also struggling in these areas, and large rate increases
8 would only encourage these small businesses to drop service or relocate, further harming the
9 economic conditions in the areas. As KTC testimony demonstrates, there is neither an economic
10 basis nor a policy imperative that would support significant rate increases at this time. *Lehman*
11 *Opening Testimony* at 18-20; *Armstrong Opening Testimony* at 8-9.

12 KTC’s revenues for the test year are computed based on a straightforward projection of the
13 forecasted units for each service for 2024. As reflected in Mr. Clark’s testimony, KTC used base
14 revenue data for 2021, and applied demand trends derived from growth in the 2020 to 2021 period
15 to those figures. *Clark Opening Testimony* at 51. Using a longer timeframe for demand
16 projections would be unreasonable given the effects of COVID-19 and Audeamus’ introduction of
17 “broadband only” or Consumer Broadband Only Loop (“CBOL”) service in the middle of the
18 five-year historic period. *Clark Opening Testimony* at 25. The availability of CBOL service has
19 made customers more price sensitive to rate increases, so the 2020-2021 figures are more reliable
20 than the longer-term data. *Id.* This results in projected end user revenues for the test year of
21 \$1,038,598 for KTC.

22 **2. KTC’s Intrastate Access Intercarrier Compensation Calculations**
23 **Reflect Reasonable Forecasts of Demand and Anticipated Reductions**
 in Revenue Based on Federal Law.

24 The second component of rate design is intercarrier compensation revenue. This revenue
25 category encompasses three principal types of revenue: (1) terminating switched access and
26 access replacement revenue; (2) originating switched access revenue; and (3) special access
27 revenue. KTC has separately calculated each of these elements and included the combined total as
28 “Intrastate Access Revenues” in its rate design.

1 Terminating switched access and the corresponding replacement revenue are fixed inputs
2 determined according to formulas in FCC regulations.³⁷ As part of the intercarrier compensation
3 reforms in 2011, the FCC prescribed the amount of interstate and intrastate revenue that carriers
4 can derive from terminating access services. Starting in 2012, the FCC began an annual phase-
5 down in terminating access revenue, moving local switching rates to “bill and keep” as of July 1,
6 2020. *Id.* at ¶ 801. To mitigate the effects of these reductions in rates, the FCC instituted two
7 access replacement mechanisms: (a) the Access Recovery Charge (“ARC”), which is charged to
8 end users, subject to a limitation for residential customers whose overall rates are lower than
9 \$30.00 “inclusive” of specified taxes, fees, and surcharges;³⁸ and (b) Connect America Fund
10 Intercarrier Compensation (“CAF-ICC”), a federal funding source to address lost access
11 revenues.³⁹

12 While these terminating access revenues are comprised of a mix of funding sources, they
13 are also subject to an overall calculation that obviates the need to separately compute them. The
14 FCC has imposed a 5% annual phase-down on the collective total of ARC, CAF-ICC revenue, so
15 the most accurate way to calculate the “terminating access” revenue is to start with the “eligible
16 recovery” from the most recent year and apply a 5% reduction in funding for each subsequent
17 year. 47 C.F.R. § 51.917(d) (outlining annual phase-down in “eligible recovery”). The FCC uses
18 a fiscal year for those calculations, so the impacts must be calculated separately for the first six
19 months of the test year and the second six months of the test year. The most recent historical
20 “eligible recovery” figure is for the 2021-2022 fiscal year, ending on June 30, 2022. To compute
21 the terminating access figure for the test year, KTC has multiplied the 2021-2022 figure by 95%
22 and then multiplied it again by 95% to arrive at the figure for 2022-2023. KTC then multiplied the
23 resulting figure by 95% a third time to derive the 2023-2024 figure. The final step is to average
24 the two fiscal year figures that overlap with the test year, resulting in terminating access amount of

25
26 ³⁷ See *In the Matter of Connect America Fund*, WC Docket No. 10-90, *Report and Order and Further*
27 *Notice of Proposed Rulemaking*, FCC 11-161 (rel. Nov. 18, 2011) (“*USF/ICC Transformation Order*”) at ¶
899.

28 ³⁸ The ARC can only be charged to residential customers to the extent that it does not cause residential
“inclusive” rates to exceed \$30.00. This cap does not apply to business customers.

³⁹ See 47 C.F.R. §§ 51.917(b)(2) (defining “expected revenues”), 51.917(d) (defining “eligible recovery”),
51.917(e) (explaining ARC mechanics), 51.917(f) (identifying CAF-ICC eligibility and calculations).

1 \$132,049 for KTC for the 2024 test year. The detailed calculations that inform these figures are
2 shown in Exhibit DC-1 to Mr. Clark's opening testimony. *See Clark Opening Testimony*, Exhibit
3 DC-1, Schedule "Calc of FCC Elg Rev."

4 The originating access and special access components of intercarrier compensation revenue
5 are calculated separately from terminating access and the access replacement mechanisms. These
6 elements are based on the demand for those particular services. KTC has measured the current
7 demand for the services over a 5-year period, and projected the result into the test year. *See Clark*
8 *Opening Testimony* at 77. The three components of intercarrier compensation revenues and the
9 combined total for each company are set forth in the following chart:

10 **3. Intercarrier Compensation Revenues**

Terminating Access	Originating Access	Special Access	Total
132,049	18,718	3,213	153,980

14 **4. KTC's High Cost Loop Support Revenues for 2024 Have Been**
15 **Computed Using the Best Available Information, Subject to**
16 **Adjustment Using the NECA Figures Released in October 2022.**

17 KTC's rate design includes forecasted HCLS figures for each company for test year 2024
18 in accordance with federal regulations and longstanding Commission precedent. HCLS is a
19 federal funding source, but it supports intrastate operations, so it is appropriate for inclusion in
20 intrastate rate design. HCLS is "deducted from state expenses" and "added to interstate
21 expenses." 47 C.F.R. § 54.1301(a). This effectuates a dollar-for-dollar recovery of intrastate costs
22 that would otherwise have to be supported by end user rates or CHCF-A.⁴⁰ The Commission has
23 consistently recognized this effect and has incorporated HCLS in the revenue section of "Results
24 of Operations" tables in dozens of rate cases over the past three decades, including KTC's past
25 three rate cases.⁴¹

26 ⁴⁰ No other federal high-cost support mechanism supports intrastate expenses. For carriers who have
27 selected Alternative Connect America Cost Model ("A-CAM") support, which replaces HCLS and parallel
28 interstate funding sources, a different calculation is required. KTC does not receive A-CAM and is not
eligible to receive A-CAM support, so HCLS is the only federal high-cost support fund that contributes to
KTC's intrastate rate design.

⁴¹ D.16-06-053, Appendix A, Line 3; Res. T-17081 at 26, Appendix D, Line 3; D.03-10-006, Appendix B
at B-17, Line "Interstate."

1 HCLS funding for any given year is based on a comparison between the company's
2 average local "loop" costs for *two years prior* and a frozen "national average cost per loop." *See*
3 47 C.F.R. §§ 54.1310(a) (explaining "loop cost" comparison), 54.1305 (noting vintage of loop
4 cost data as "the calendar year preceding each July 31st filing" with NECA). In performing the
5 HCLS calculations, NECA also makes certain adjustments to fit within the FCC's budgetary
6 parameters, resulting in funding reductions through the "pro rata adjustment" and "budget control
7 mechanism." *See* 47 C.F.R. §§ 54.1310(b), 54.1310(d).

8 KTC's HCLS calculations take the 2021 study to determine the 2023 support amount and
9 then incorporates estimated changes to those figures to produce a forecasted figure for the 2024
10 period. This calculation generates the figure used in the forecast of KTC's HCLS for 2024. *See*
11 *Clark's Opening Testimony*, Exhibit DC-1, Schedule "Est Rev 23-24" Line 30.

12 Based on the best available information as of the date of this filing, HCLS for the 2024 test
13 year will be \$1,713,934 for KTC. However, a more precise figure for 2024 will be released on or
14 about October 1, 2023, when NECA provides its calculation of HCLS based on its review of the
15 HCLS data submission that is based on 2022 cost data and its determination of the final
16 inflationary factor to be applied to corporate operations expenses. To ensure that the rate design is
17 accurate for the test year, the Commission should substitute the October 2023 NECA figure for the
18 number in this Application and make corresponding adjustments to CHCF-A. In its annual
19 CHCF-A adjustment process, the Commission relies on these NECA figures annually to set
20 CHCF-A support amounts for KTC and other small independent telephone corporations, and the
21 NECA figures are not subject to reasonable dispute. *See* D.91-09-042, Appendix at 2
22 (acknowledging that annual adjustments for "regulatory changes of industrywide effect include
23 "changes in levels of interstate high cost funding"); *see also, e.g.*, Res. T-17758, Appendix A
24 (Line 5 for each company reflecting "net interstate expense adjustment"). Therefore, they should
25 be incorporated into the rate design with appropriate downward or upward adjustments to CHCF-
26 A depending on whether NECA's figure is higher or lower than anticipated.⁴²

27
28 ⁴² To the extent that HCLS fluctuates in the test year, those adjustments should be addressed as non-
recurring impacts in KTC's 2024 CHCF-A filings, consistent with the rules governing CHCF-A annual
filings. *See* D.91-09-042, Appendix at 2-4.

1 **5. KTC’s Miscellaneous Revenue Calculations Reflect NECA Guidance**
2 **and Commission Precedent.**

3 “Miscellaneous revenues” refer to a category of regulated revenues that are not covered by
4 other categories, but which are assigned to the intrastate jurisdiction. These revenues include
5 amounts from licenses or leases of regulated facilities, billing and collection services, directory
6 listings, uncollectibles, and other activities specifically identified in the FCC’s rules. *See* 47
7 C.F.R. §§ 32.5200, 32.5230, 32.5300. These figures are derived from 2022 forecasted revenues in
8 each of these categories, to the extent that revenues exist in these classifications for KTC, subject
9 only to limited adjustments where it is apparent that certain revenues will no longer be available in
10 2024. *See Clark Opening Testimony*, Exhibit DC-1, Schedule "Est Rev 23-24" at lines 44-52. A
11 summary of the intrastate regulated miscellaneous revenues for the test year for KTC is as follows:

12

Miscellaneous Revenues	
Directory Revenues	37,251
Late Payment Fees/Returned Checks	1,312
Miscellaneous	9,770
Billing and Collection	55,480
Leases and Licenses ⁴³	0
Uncollectibles	-200
Total:	103,614

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21 Separate from its identification of miscellaneous revenues, KTC is aware of the
22 Commission’s recent interest in license and lease revenue. *See* D.21-06-004 at 42-43 (OP 5); *see*
23 *also* D.22-02-027, Appendix A (modifying disclosure requirements in D.21-06-004). KTC has
24 populated the Commission’s requested spreadsheet addressing licenses and leases, as discussed

25 ⁴³ KTC expects to have \$60,228 in license expenses during the test year, but this revenue is reflected in
26 KTC’s ratemaking calculations as a reduction to the expenses associated with the assets being licensed,
27 consistent with NECA Reporting Guideline 8.3. *See Clark Opening Testimony*, Exhibit DC-6. The
28 Commission expressly endorsed the use of NECA Reporting Guideline 8.3 in resolving the ratemaking
issues presented in Phase 2 of the CHCF-A rulemaking. *See* D.21-06-004 at 42 (OP 4), 17 (noting that
NECA Reporting Guideline 8.3 would permit carriers to account for license and lease revenues by
“reduc[ing] its intrastate revenue requirement by the intrastate portion of its related rent revenues,
effectively counting license or lease paymnts as reductions to regulated expense.”).

below in Section IV(M).

6. CHCF-A Fulfills a Residual Role in Rate Design, Supplying the Additional Revenue Necessary to Meet KTC's Revenue Requirement.

CHCF-A provides the final component of the rate design, reflecting the last step in the Commission's implementation of rate-of-return regulation. It is computed on a residual basis, after all other intrastate funding sources have been estimated for the test year. CHCF-A must be supplied in an amount necessary to recover "the portion of the revenue requirement that cannot reasonably be provided by the customers of each small independent telephone corporation after receipt of federal universal service rate support." Pub. Util. Code § 275.6(c)(4); *see also* Pub. Util. Code § 275.6(a) (reflecting Legislative judgment that CHCF-A be supplied in amounts sufficient to meet revenue requirement to advance "the state's universal service commitment to the continued affordability and widespread availability of safe, reliable, high-quality communications services in rural areas of the state."). CHCF-A is not subject to a source-specific "reasonableness" review. By definition, the support amount is reasonable and "not excessive" if it equals the difference between a "small independent telephone corporation's" revenue requirement and the combined value of all other regulated intrastate funding sources. *See* Pub. Util. Code § 275.6(c).

KTC's CHCF-A computation is straightforward. The calculation follows statutory guidance and longstanding Commission precedent in implementing the CHCF-A program. KTC's combined end user revenue, HCLS amount, intercarrier compensation, and intrastate miscellaneous revenue for the test year are subtracted from the company's revenue requirement, leaving a residual amount that must be obtained through CHCF-A. A summary of this computation, prior to the imposition of "broadband imputation," is shown in the following chart:

CHCF-A Calculation Prior to Broadband Imputation	
Revenue Requirement	6,448,140
Revenue Other Than CHCF-A	3,010,126
CHCF-A	3,438,015

KTC acknowledges that the Commission has ordered a new, further adjustment to these CHCF-A figures through broadband imputation. Neither Public Utilities Code Section 275.6 nor any other state statute authorizes this latest adjustment, and its effect although the imputation for

1 KTC is \$0.⁴⁴ Pub. Util. Code §§ 275.6(c)(2), 275.6(c)(4). As noted above, KTC is challenging
2 the legality of broadband imputation in the State Court of Appeal. Given that broadband
3 imputation is the Commission's policy currently in effect, this modified broadband imputation
4 adjustment to KTC's CHCF-A draw has been incorporated into its ratemaking calculations in this
5 Application, as set forth below.

6 **C. Broadband Imputation.**

7 Pursuant to Ordering Paragraph 1 of D.21-04-005, "all reasonable positive retail
8 broadband-related revenues" from wireline Internet access service provided by KTC's ISP affiliate
9 within FC's service territories "shall be imputed in the determination of rate design and California
10 High Cost Fund-A support." D.21-04-005 at 24 (OP 1). This imputation requirement does not
11 apply to "revenues derived from areas outside of" KTC's service territory and "revenues resulting
12 from alternative service platforms that are not based upon" KTC's local exchange facilities. *Id.*
13 KTC has a common ISP with FTC, Audeamus, but Audeamus' financial performance is separately
14 tracked in the respective telephone company service territories. Further, in response to the
15 rehearing request from the Independent Small LECs, the Commission offered a clarification to its
16 broadband imputation mechanism as it applies to CBOL connections, explaining that imputation
17 would only apply to these lines "[t]o the extent there are retail revenues associated with CBOL
18 that are attributable to CHCF-A funded broadband-capable facilities." D.21-08-042 at 18.

19 Consistent with the Commission's directives and the clarification regarding the treatment
20 of CBOL connections, KTC's broadband imputation calculation excludes revenues derived from
21 Audeamus' service in KTC's territory and in AT&T's territory.⁴⁵ In addition, KTC's broadband
22 imputation calculation excludes revenues derived from "broadband only" service offered by
23 Audeamus because the costs associated with these lines are 100% interstate and are not reliant to
24 any extent on "CHCF-A funded broadband-capable facilities." *Id.* Where customers subscribe
25

26 ⁴⁴ If full imputation is adopted the impact would be imputation of <<START CONFIDENTIAL [REDACTED]
27 END CONFIDENTIAL>> violating the express statutory directives that a small independent telephone
corporation's rate design must equal its revenue requirement.

28 ⁴⁵ Where Audeamus provides broadband services outside of KTC's and KTC's service territory, it uses
alternative platforms that do not rely on KTC's or KTC's regulated local loop facilities. These broadband
revenues and expense have been excluded from the imputation requirement. D.21-04-005 at 24 (OP 1).

1 strictly to broadband service, and do not take a telephone line, the costs associated with the
2 underlying loop over which the broadband is delivered are shifted entirely to interstate cost
3 recovery mechanisms, with no impact on the CHCF-A or any other intrastate revenues sources.
4 The applicable revenues and expenses from Audeamus' operations in KTC's service territory
5 using its broadband-capable network has been tabulated and was determined to be negative.
6 Therefore, no imputation was incorporated in KTC's CHCF-A calculation. As directed by
7 the Phase 2 Broadband Imputation Decision, CD staff has prepared a template to implement the
8 broadband imputation calculation. KTC has populated this template, and provides it herewith as
9 confidential Exhibit C. Exhibit C contains Audeamus' 2021 financial results from its broadband
10 operations in KTC's territory using KTC's local loop facilities. Exhibit C is provided in two
11 versions. The first identifies the entire net income for the broadband calculation. The second
12 provides the CBOL adjusted net income for broadband and KTC believes strongly that the CBOL-
13 related revenues should be excluded from the calculation and has made this adjustment on DC-1
14 on the "Proforma SRO" schedule.⁴⁶

15 KTC's submission of the financial data in Exhibit C fulfills its duties under Public
16 Utilities Code Section 275.6(e) to identify "revenues derived from the provision of unregulated
17 Internet access service by . . . its affiliate within [KTC's] telephone service territory."⁴⁷ The
18 broadband imputation template contains highly granular confidential information about the
19 affiliate ISP Audeamus' unregulated broadband operations, so it is provided subject to an
20 expectation that the confidential elements will be held under seal in the Commission's records, as
21 required by the Public Utilities Code Sections 275.6(e) and 583 and G.O. 66-D. The template also
22 calls for employee compensation information, which is subject to legal protections to ensure
23 employee privacy under California law. The detailed justification for confidential treatment of
24 this information is provided in the contemporaneously filed Motion to Seal.

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26

27 ⁴⁶ Note that this schedule provides the results for both full imputation plus the amount without the CBOL
28 lines included for the Commission's convenience. KTC maintains that the CBOL line imputation should
be removed from the calculation.

⁴⁷ Pub. Util. Code § 275.6(e).

1 **IV. COMPLIANCE WITH PROCEDURAL RULES, APPLICATION FORMALITIES,**
2 **AND NOTICE REQUIREMENTS.**

3 **A. Corporate Information and Correspondence (Rules 2.1(a) and 2.1(b)).**

4 The full name of the applicant hereto is Kerman Telephone Co., a corporation organized
5 under the laws of the State of California. KTC's principal place of business is 811 South Madera
6 Avenue, Kerman, California 93630, and its business telephone number is (559) 846-9311. KTC
7 consents to service by email in connection with this proceeding. Correspondence and other
8 communications regarding this Application should be sent to counsel for KTC as follows:

9 Sarah J. Banola
10 Patrick M. Rosvall
11 Sean P. Beatty
12 Chelsie Liberty
13 BRB Law LLP
436 14th Street, Suite 1205
Oakland, California 94612
(office) 510-955-1081
(mobile) 415-518-4813
(email) patrick@brblawgroup.com

14 with copies to David Clark at dclark@sebastiancorp.com.

15 **B. Organization and Qualification to Transact Business in California (Rule 2.2).**

16 KTC's Articles of Incorporation, certified by the Secretary of State of the State of
17 California, were previously submitted with Application 15-09-005 (filed September 1, 2015) and
18 they remain in the Commission's files in connection with that proceeding. In accordance with
19 Rule 2.2, KTC incorporates this prior filing by reference in lieu of resubmitting the same
20 documents with this Application.

21 **C. Financial Statements (Rules 2.3 and 3.2(a)(1)).**

22 Attached as **Exhibit D** are KTC's financial statements as of the "latest available date,"
23 reflecting financial results through the month of August 2022. Pursuant to the Rule 2.3(h), the
24 financials consist of KTC's most recent balance sheets as of the latest available date and income
25 statements covering the period from the close of 2021, the last year for which its annual reports
26 were filed with the Commission, through August 2022.

27 **D. Description of KTC's Facilities, Equipment, and Other Property, the Cost and**
28 **Depreciation Reserve Applicable to the Property, the Character of Business**
Performed, and the Territory Served (Rule 3.2(a)(4)).

1 KTC owns and operates a telephone system over which it provides local exchange
2 telephone service in Fresno County. KTC operates a single exchange with 2,789 access lines over
3 which it provides basic service.⁴⁸ The company's systems consist mainly of cables and wires
4 connecting customer locations and facilitating interconnection with the public switched telephone
5 network. KTC's infrastructure includes underground and aerial cable and lines, radio equipment,
6 central office equipment, land, buildings, and other miscellaneous equipment. KTC's network and
7 facilities are described in detail in Mr. Dominico's testimony.

8 The costs associated with the Applicant's property and equipment and the depreciation
9 reserve applicable thereto are shown on the balance sheet included in **Exhibit E** to this
10 Application. Depreciation expense is calculated on a remaining-life basis using the rates from
11 KTC's last rate case with updates derived from a new depreciation study described in Mr. Clark's
12 testimony.

13 **E. Present and Proposed Rates (Rules 3.2(a)(2) and 3.2(a)(3)).**

14 KTC's current tariffed rate for single-line residential local exchange telephone service is
15 \$22.58 and its business rate is \$36.30. The current tariffed residential rate produces an
16 "inclusive" rate of \$33.71 when applicable fees and surcharges are included in accordance with
17 the Commission's CHCF-A Phase 2 Ratemaking Decision. D.21-06-004 at 42 (OP 3). KTC
18 proposes to raise its residential rate to \$22.50, which produces an "all-inclusive" rate under the
19 Commission's formulation of \$34.27. Based on the application of the Commission's LifeLine
20 regulations to KTC's basic rates, and assuming the California Specific Support Amount ("SSA")
21 remains constant at \$16.23, KTC's LifeLine rates are should remain at \$5.00 for customers who
22 meet eligibility requirements for both federal and state Lifeline support. For customers who only
23 subscribe to voice service or who choose a lower broadband speed than the federal minimum
24 standard, the LifeLine rate is expected to be \$6.52 per month.

25 As part of an overall modernization of KTC's rates by which custom calling features and
26 voice mail would be included in basic rates, KTC proposes to raise residential basic rates by
27

28 ⁴⁸ In addition to serving 2,789 voice access lines, KTC provides interstate wholesale Digital Subscriber
Line transmission service to 507 "broadband only" lines. Audeamus offers retail broadband service to its
customers over these lines.

1 \$0.92. This increase is only reasonable in exchange for the other benefits of the rate restructuring,
2 and if that aspect of KTC's proposal is not authorized, no rate increase should occur. With the
3 additional \$0.92 increase, custom calling feature and voice mail rates would be eliminated as
4 separate offerings, and basic rates would go up to \$23.50 for residential and remain at \$36.30 for
5 business customers, respectively.

6 KTC's current and proposed rates are reflected in the tariff sheets included herewith as
7 **Exhibit F**. As reflected therein, various changes to KTC's tariff will be needed to implement the
8 rate restructuring, and KTC asks the Commission to make these changes through the rate case.

9 **F. Summary of Earnings (Rules 3.2(a)(5), 3.2(a)(9)).**

10 Consistent with longstanding Commission practice and as required in D.15-06-048 and
11 D.20-08-011, KTC is using calendar year 2024 as the test period for this rate case. *See* D.20-08-
12 011, Appendix C. A summary of estimated earnings on a depreciated rate base for the test period
13 is attached as **Exhibit G** hereto. This schedule shows KTC respective intrastate operations, as
14 well as interstate and total company regulated operations.

15 **G. Federal Income Tax Depreciation Deduction (Rule 3.2(a)(7)).**

16 In computing its federal income tax, KTC utilizes the Modified Accelerated Cost Recovery
17 System ("MACRS") to depreciate property plant and equipment for federal income tax purposes.
18 For ratemaking purposes, KTC calculated federal income tax expense using straight-line
19 depreciation.

20 **H. No "Pass Through" Costs (Rule 3.2(a)(10)).**

21 KTC requested ratemaking adjustments do not involve a "pass through" of costs. The
22 future test year and prospective ratemaking methodology employed in small independent
23 telephone corporations' rate cases is based on forecasted future results of operation. Accordingly,
24 small independent telephone company general rate cases do not incorporate elements of pass-
25 through costs, which might be more typically the subject of certain other utility company rate
26 filings, such as those involving energy resource recovery accounts.

27 **I. Financial Interest in Transactions (Rule 3.2(a)(8)).**

28 In accordance with Rule 3.2(a)(8), KTC confirms that its capital stock is not listed on a

1 "national securities exchange" and that its capital stock is not registered with the Securities and
2 Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934. Since
3 the filing of its last annual report with the Commission, there have been no transactions of the type
4 described in General Order 104-A, nor have any such transactions been proposed since the filing
5 of KTC's last annual report, which was submitted on March 27, 2022, reflecting 2021 calendar
6 year results of operations.

7 **J. Service of Application and Local Government Notifications (Rules 3.2(b),**
8 **3.2(c), 3.2(d)).**

9 This Application has been served by email on each of the individuals listed on the KTC's
10 company-specific list for service of advice letters, consistent with Rule 4.3 of General Order 96-B.
11 This Application has also been served on the Commission's Executive Director, the Chief
12 Administrative Law Judge, the Director of the Communications Division, and the Director of Cal
13 Advocates. Specific members of Communications Division and Cal Advocates' staff who have
14 participated in the pre-Application events related to this filing are also included on the service list.
15 The service list for this Application is attached to the certificate of service.

16 In addition, pursuant to Rule 3.2(b), within 20 days of the filing of this Application, KTC
17 will mail a notice describing the proposed ratemaking adjustments and customer rates sought in
18 this Application to: (1) the State of California, by serving the Attorney General and the
19 Department of General Services; (2) the County Counsel and County Clerk of Fresno County, and
20 the City Attorney and City Clerk of the city of Kerman. KTC will also publish a notice in a
21 newspaper of general circulation in Fresno County within 20 days after the filing date of this
22 Application, as required by Rule 3.2(c). A draft of the notice, which KTC intends to present to the
23 Public Advisor's Office for approval, is attached hereto as **Exhibit H**. KTC will send a notice to
24 customers regarding proposed rate adjustments requested and matters to be addressed in this rate
25 case. KTC uses a 30-day billing cycle, so it will mail a notice to subscribers within 45 days, in
26 compliance with Rule 3.2(d). The notice approved by the Commission's Public Advisor's Office
27 on September 27, 2022, is attached as **Exhibit I** hereto.

28 A full copy of the Application, including all exhibits, will be furnished upon written
request from these or any other stakeholders. Proof of compliance with the customer notice

1 requirement will be filed in the docket of this proceeding within 65 days of the submission of this
2 Application.

3 **K. Relevant Safety Considerations.**

4 As explained in the testimony of submitted contemporaneously herewith, KTC has a strong record
5 of providing high-quality, reliable, and safe service to its rural service area. *Armstrong Opening*
6 *Testimony* at 6; *Clark Opening Testimony* at 86-90; *see Dominico Opening Testimony* at 1, 14.
7 KTC plays a critical role in the rural communities that it serves, and, for most customer locations
8 within these areas, KTC provides the only reliable connection that provides both voice and
9 broadband capabilities meeting prevailing FCC standards. KTC has a robust network resiliency
10 plan, and a comprehensive emergency response plan tailored to its operations and service
11 territories. KTC contributes materially to advancing public safety in the communities where it
12 serves, and it has an established track record of working with first responders and community
13 leaders to preserve and restore service in the face of emergencies. *See Dominico Opening*
14 *Testimony* at 5, 19. This proceeding is critical to ensure that KTC has sufficient financial
15 resources and operational stability to continue fulfilling these crucial functions.

16 **L. Compliance with the Rate Case Plan (D.15-06-048, D.20-08-011).**

17 KTC has met all deadlines and procedural prerequisites to this filing under the 2015 Rate
18 Case Plan and the 2020 decision extending the filing dates for the “Group B” companies. *See*
19 *D.15-06-048; D.20-08-011*. Consistent with *D.20-08-011*, and the one-month extension on the
20 filing date authorized by the Commission’s Executive Director, KTC’s Application is being timely
21 filed on November 1, 2022. *See Exhibit A* (July 18, 2022 Letter from Executive Director) at 1.
22 Prior to submitting the Application, KTC also complied with each of the pre-application
23 requirements under the Rate Case Plan, as follows:

24 **Notice of Intent:** KTC submitted its Notice of Intent (“NOI”) to file a rate case on
25 September 2, 2022, which included its initial proposals and its basic ratemaking and summary
26 calculations.

27 **Minimum Data Requests:** The Rate Case Plan also provides for Cal Advocates to submit
28 Minimum Data Requests (“MDRs”) fifty-five days before the application date. Cal Advocates

1 formally provided KTC with its MDRs prior to the due date, on August 9, 2022, and KTC
2 responded to those MDRs on September 23, 2022.⁴⁹ Cal Advocates circulated a memorandum
3 alleging a small list of perceived deficiencies in the MDR responses on September 27, 2022. KTC
4 formally responded to the alleged deficiencies in a letter dated September 29, 2022, and KTC
5 provided supplemental responses to the MDRs on September 29, 2022 and October 7, 2022.
6 While KTC does not concede that its original responses were deficient, based on its supplemental
7 responses, KTC understands that the alleged deficiencies are resolved.

8 Communications Division did not issue a deficiency letter in connection with KTC's MDR
9 Response, and no valid grounds for deficiency exist. All pre-application requirements of D.14-12-
10 084 are therefore met and all contingencies to submitting this Application are satisfied.

11 **M. Identification of License and Lease Revenue (D.21-06-004, Appendix A).**

12 The Phase 2 Ratemaking Decision requires each rate case applicant to “report all . . .
13 revenue from both licenses or leases” using a spreadsheet entitled “Reporting Template for Non-
14 Regulated Revenue.” *See* D.21-06-004, at 42-43 (OP 5), Appendix A. On rehearing prompted by
15 the application of the Independent Small LECs, including KTC, the Commission issued its
16 decision modifying Appendix A and gave further context for the Appendix A disclosures. D.22-
17 02-027 at 8-9, Appendix A. Accordingly, KTC understands the Appendix A reporting
18 requirement to seek information as of the date of the Application initiating the rate case. As
19 reflected in Exhibit J hereto, KTC has populated the spreadsheet with information reflecting the
20 applicable agreements that it has in place as of the date of this filing that are within the scope of
21 Appendix A, as modified in D.22-02-027.

22 KTC notes that the Appendix A disclosure requirement does not encompass all
23 “miscellaneous revenues.” Rather, it focuses solely on “license, lease, or other” agreements for
24 access to public utility facilities or property. As reflected in the FCC’s Part 32 regulations,
25 miscellaneous revenues include several categories of revenue that extend beyond the facilities
26 access agreements addressed in Appendix A of the Phase 2 Ratemaking Decision. *See* 47 C.F.R.
27 §§ 32.5200, 32.5230, 32.5300. Likewise, not all revenue generated from access to facilities is

28 ⁴⁹ Due to an inadvertent calendaring error, KTC responded to the MDRs one day later than Cal Advocates had requested.

1 classified as “miscellaneous revenues”—where the underlying “plant” is “removed” from rate
2 base, the resulting revenues are unregulated. *See* D.21-06-004 at 17, 19 (incorporating NECA
3 Reporting Guideline 8.3 into Commission ratemaking standards and explaining options for
4 addressing license and lease revenues); NECA Reporting Guideline 8.3 at 1; *see also Clark*
5 *Opening Testimony* at 31. Regardless of whether the resulting revenue is regulated or unregulated,
6 KTC’s disclosures in **Exhibit J** include all instruments reflecting licenses, leases, or other
7 agreements for access to its properties.

8 As explained in Section III, Part B(4), above, KTC has incorporated its license revenues
9 for the test year into its ratemaking calculations through a reduction in the expenses associated
10 with the underlying assets being licensed. This approach is consistent with the second of two
11 “alternative approaches” that NECA authorizes through NECA Guideline 8.3. The Commission
12 has endorsed this approach as the appropriate methodology for addressing these revenues. *See*
13 D.21-06-004 at 42 (OP 4), 17; *see* NECA Reporting Guideline 8.3 at 1.

14 **V. PROPOSED CATEGORIZATION, STATEMENT OF ISSUES, PROPOSED**
15 **SCHEDULE, AND GUIDELINES FOR DISCOVERY (RULES 2.1(c) and 1.3(e)).**

16 **A. Categorization.**

17 In accordance with Rules 2.1(c) and 1.3(e), KTC proposes that this proceeding be
18 classified as a ratesetting proceeding. This proceeding squarely meets the criteria for designation
19 as ratesetting, as it is a proceeding in which the Commission will “set . . . rates for a specifically
20 named utility.” Rule 1.3(e).

21 **B. Issues.**

22 This proceeding involves two straightforward ratemaking issues: (1) the determination of
23 KTC’s revenue requirements utilizing a 2024 test year; and (2) a review of KTC’s rates and other
24 intrastate funding sources available during the 2024 test year to develop a rate design for that
25 provides it with a reasonable opportunity to recover its costs of service and earn its Commission-
26 authorized rate-of-return. The revenue requirement and rate design issues involve the
27 straightforward application of existing rules and ratemaking standards to KTC’s financial and
28 operational circumstances; this proceeding should not involve the development of any new

1 policies, the exploration of novel ratemaking theories, or the imposition of new regulations.⁵⁰

2 **C. Need for Hearings.**

3 If the issues in this proceeding are not resolved through settlement, an evidentiary hearing
4 will be required to establish KTC's revenue requirement and rate design.

5 **D. Schedule.**

6 **1. Timing of Public Participation Hearing.**

7 As permitted by Ordering Paragraph 5 of D.15-06-048, KTC requests that the Commission
8 make a small—but important—adjustment to the sequence of events contemplated by the Rate
9 Case Plan, to ensure that customers will have a meaningful voice in the process through which
10 their telephone rates are set.⁵¹ Specifically, the Public Participation Hearing (“PPH”) in this
11 proceeding should take place *after* all parties revealed their proposals for end user rates. Since Cal
12 Advocates has historically presented its rate proposals in its testimony, refused to identify its
13 proposals prior to testimony, and consistently advocated for higher rates than the small
14 independent telephone corporations,⁵² customers should have the benefit of the full range of
15 potential outcomes before they provide input in this proceeding. In four prior cases, the assigned
16 ALJs appropriately scheduled the PPHs after the submission of Cal Advocates' testimony.⁵³

17 Unfortunately, in the most recent three rate cases for the companies in “Group A” under
18 the Rate Case Plan, customers were deliberately deprived of critical information about the range of
19 potential rate increases they faced.⁵⁴ Each of the three Group A companies proposed residential

20 ⁵⁰ Pub. Util. Code § 1701.1(c)(3) (defining “ratesetting” proceedings as those in which rates are established
21 for a specific company, including, but not limited to, general rate cases. . . .”); Rules 1.3(f), 1.3(g); *see also*
22 D.97-06-071 at 7 (“[A] proceeding that primarily implements policy, rather than establishing it, and looks
at facts specific to particular utilities and particular contracts as in this case is more appropriately handled
under the procedure, applicable to ratesetting rather than those established for policy making.”).

23 ⁵¹ D.15-06-048 at 28 (OP 5) (authorizing the assigned ALJ to modify the rate case plan “if necessary for
efficiency and the public interest.”).

24 ⁵² *Lehman Opening Testimony* at 3, 4 (Table 1: Proposed Rates of Applicants and Cal Advocates), and 4
25 n.3 (“In most cases, Cal Advocates also proposed higher rates for custom calling features and other charges
than the Independent Small LECs”).

26 ⁵³ A.17-10-004, *Scoping Memo* at 6-7 (Foresthill); A.16-10-004, *Scoping Memo* at 5-6 (Cal-Ore); A.16-10-
002, *Scoping Memo* at 5-6 (Calaveras); A.16-10-001, *Scoping Memo* at 4-5 (Ponderosa).

27 ⁵⁴ The “Group A” companies under the Rate Case Plan were Sierra Telephone Company, Inc. (“Sierra”),
Volcano Telephone Company (“Volcano”), and The Siskiyou Telephone Company (“Siskiyou”). Those
28 cases have been fully briefed and are now under submission as the Commission prepares proposed
decisions to conclude the cases. Each of these companies' PPHs took place without any disclosure of Cal

1 rates of \$25.00, which reflected the status quo for Sierra and one dollar increases for Volcano and
2 Siskiyou.⁵⁵ In each case, Cal Advocates proposed higher residential rates of \$27.50 and proposed
3 10% increases to the companies' business rates by between \$2.50 and \$3.93. *Id.* Due to its
4 tactical maneuvering regarding the scoping of the proceeding, Cal Advocates was able to shield
5 this essential information from customers prior to the PPH, instead offering the misleading
6 representation that Cal Advocates would advocate for "the lowest possible utility rates for
7 customers"⁵⁶ When the true facts came to light in testimony several weeks later, it was
8 already too late for customers to be heard. This evasive and unjust practice must end. The
9 ratesetting process should be transparent and afford to customers their right to be heard at a
10 meaningful time on the issues most important to them.

11 2. Additional Time for Rebuttal Testimony.

12 KTC also requests that the ALJ adopt a schedule that provides KTC with an additional 30
13 days for rebuttal testimony. Pursuant to the current Rate Case Plan milestones, Cal Advocates has
14 150 days from the date of an application to prepare its testimony, whereas the company has only
15 30 days to prepare rebuttal testimony.⁵⁷ In several earlier proceedings under the Rate Case Plan
16 that imposed only a 30 day rebuttal period, numerous extensions were needed to address the vast
17 number and novel character of issues raised in Cal Advocates' testimony.⁵⁸ In the recent "Group
18 A" rate cases for Sierra, Volcano, and Siskiyou, the ALJ determined that an additional 14 days
19 would be appropriate, for a total of approximately six weeks for the applicants to prepare rebuttal
20 testimony. While this was a significant and important improvement over the strict application of
21 the 30-day timeframe from the Rate Case Plan, it still created unnecessary time pressures and
22 inequities that should be avoided in this case. In those cases, Cal Advocates again issued
23 expansive testimony designed to radically reduce companies' revenues, including a presentation of

24 _____
25 Advocates' rate proposals. A.21-11-005 *Scoping Ruling* at 6 (Sierra); A.21-11-006 *Scoping Ruling* at 7
(Volcano); A.21-11-007 *Scoping Ruling* at 7 (Siskiyou).

26 ⁵⁵ *Lehman Opening Testimony* at 4; *Clark Opening Testimony* at 73 (KTC's proposed "\$1.00 increase
27 parallels the consensus proposal for residential rates in the pending settlement submitted by Siskiyou and
Cal Advocates in a.21-11-007, by which Siskiyou's rates would be increased from \$25.00 to \$26.00.").

28 ⁵⁶ See A.21-11-005, *PPH Transcript* at 10:28-11:4 (Sierra); A.21-11-006, *PPH Transcript* at 15:25-26
(Volcano); A.21-11-007, *PPH Transcript* at 15:7-8 (Siskiyou).

⁵⁷ D.15-06-048, App. A at 2-3.

⁵⁸ See, e.g. A.16-10-003, *E-Mail Ruling Denying Extension of Time beyond April 10* (April 6, 2017).

1 novel theories not grounded in standard ratemaking practices.⁵⁹ The companies were required to
2 scramble to rebut these proposals in just six weeks.

3 Providing two additional weeks for rebuttal testimony is particularly compelling here
4 because KTC and its affiliate FTC both file their rate case applications on the same day, and a
5 single, shared staff team will need to evaluate Cal Advocates' proposals for each company. When
6 the rate cases of FTC and KTC were filed separately, in different cycles under the Rate Case Plan,
7 it was possible to focus on the companies' ratemaking impacts one at a time. Now that both
8 Sebastian companies are in Group B, the same staff must evaluate two proposals concurrently. A
9 modest amount of additional time is warranted, and it is and it is a small accommodation for the
10 other efficiencies to be gained by assigning both companies to Group B, and especially if the
11 proceedings are consolidated as requested pursuant to Rule 7.4.

12 This reasonable scheduling adjustment is necessary to promote efficiency and to address
13 what is otherwise an imbalanced and inequitable schedule. It can also be accommodated without
14 upsetting the overall timing for resolution of the proceeding, as reflected in Section V(D)(4)
15 below. There is ample time to accommodate a 60-day timeframe for the preparation of thoughtful
16 and detailed rebuttal testimony. There is no reason for the Commission to put artificial pressure
17 on applicants when Cal Advocates has more than five months to develop its testimony.

18 3. Alternative Dispute Resolution.

19 The Commission should take reasonable steps to promote the use of alternative dispute
20 resolution in this proceeding, no later than 10 calendar days after all testimony is submitted, and
21 prior to hearings.⁶⁰ This proposal should not be controversial, but it is necessary because Cal
22 Advocates has historically refused to participate in mediation in small telephone company rate
23 cases.⁶¹ Consistent with this pattern, mediation did not occur in any of the Group A rate cases. Of

24 ⁵⁹ For example, Cal Advocates' testimony in the Group A rate cases advanced an unprecedented deferred
25 tax calculation and an income tax calculation that relies on an unauthorized adjustment to taxable income
26 based on broadband imputation. *See, e.g.*, A.21-11-005 (Sierra), Exh. PAO-03 (*Ye Testimony*) at 4-5, Exh.
27 PAO-01 (*Ahlstedt Testimony*) at 3-2.

28 ⁶⁰ This proposal aligns with the timing of the "meet and confer" requirement under the Commission's new
Rule 13.9.

⁶¹ *See, e.g.*, R.11-11-007, LEC-7 (*Votaw Opening Testimony*) at 23:26-24:2 (in response to Ducor's motion
seeking mediation, "Cal Advocates not only refused to participate, it sought sanctions against Ducor for

1 those three cases, only one has settled, and the settlement occurred very late in the process, after
2 extensive resources had been expended by both parties. KTC believes that settlement would be
3 substantially more likely if parties agreed to mediate the matter at an appropriate time.

4 Mediation has the potential to conserve extensive resources for the parties and the
5 Commission. KTC believes strongly that skilled mediators can push parties to settle even where
6 their initial positions are far apart and their views are passionately held. The Commission has
7 consistently promoted alternative dispute resolution for these reasons.⁶² Mandatory mediation is
8 common in many contexts because of its proven role in facilitating settlement, narrowing disputes,
9 and conserving resources.⁶³ There is no foreseeable harm from requiring the parties to come to
10 the table to try to resolve their differences. Mediation is usually completed in one day and would
11 not cause any material delay, even if unsuccessful.

12 4. Coordination with Other Rate Cases.

13 As the Commission processes this rate case, it should be aware of the two other cases filed
14 as part of “Group B” under the Rate Case Plan—a rate case to be submitted by The Ponderosa
15 Telephone Co. (“Ponderosa”), and the rate case submitted by KTC, KTC’s affiliate.⁶⁴ Because the
16 Ponderosa rate case was filed on October 3, 2022, nearly a month before the KTC and FTC
17 proceedings were initiated, the deadlines for Ponderosa’s cases should naturally fall approximately
18 one month before those for the Sebastian companies. Further, as explained above, KTC and FTC
19 are filing motions to consolidate their respective rate cases, which involve the same attorneys and
20 all of the same witnesses. As it sets the schedule for the “Group B” rate cases, the Commission
21 should also be aware that KTC and FTC have the same attorneys as Ponderosa and will be relying
22 on one common expert witness with Ponderosa (Dr. Lehman). Based on prior experience in

23 _____
24 asking that the Commission force the parties to the table.”); A.21-11-005, *Joint PHC Statement*,
25 Attachment B at 3-4; A.21-11-006, *Joint PHC Statement*, Attachment B at 3-4; A.21-11-007 *Joint PHC*
26 *Statement*, Attachment B at 3-4.

27 ⁶² See Res. ALJ-185 at 2, 5; D.82-07-086 (“If the parties cannot resolve their differences . . . they are urged
28 to seek some form of relatively inexpensive and expeditious solution, such as mediation or arbitration by
one or more persons of appropriate experience. Such prompt action should benefit all users . . . and might
eliminate eventual costly litigation.”).

⁶³ See SD. Cal. Civ. Local Rule 16.1(c) (requiring “early neutral evaluation” within 45 days of filing an
answer to discuss claims and attempt settlement); N.D. Cal. ADR Local Rules 1-2, 2-3; see also State Bar
Guidelines of Civility and Professionalism, § 13.

⁶⁴ See D.20-08-011 at 55 (OP 8).

similar cases and the pre-Application interactions with Cal Advocates, KTC understands that Cal Advocates is also likely to have some common staffing on these cases.

KTC proposes the following joint schedule for address its rate case and the parallel KTC rate case:

Event	D.15-06-048 Schedule Without Adjustment (days after application)	Applicant's Proposed Schedule (days after application)
Application Filed	Tuesday, 11/1/22 (0 days)	Tuesday, 11/1/22 (0 days)
Protest Deadline	Thursday, 12/1/22 (30 days)	Thursday, 12/1/22 (30 days)
Reply to Protest(s)	Monday, 12/12/22 (41 days)	Monday, 12/12/22 (41 days)
Prehearing Conference	Monday, 1/2/23 (60 days)	Thursday, 1/5/23 (63 days)
Scoping Memo	<i>Not specified</i>	Thursday, 1/19/23 (77 days)
Intervenor Testimony	Friday, 3/31/23 (150 days)	Friday, 3/31/23 (150 days)
Rebuttal Testimony	Monday, 5/1/23 (180 days)	Tuesday, 5/30/23 (210 days)
Public Participation Hearing	<i>Not specified</i> ⁶⁶	Friday, 6/9/23 (220 days)
Hearings	Tuesday, 5/30/23-Friday, 6/9/23 (210-220 days)	Monday, 7/10/23-Friday, 7/14/23 (251-255 days)
Opening Briefs	Tuesday, 7/11/23 (252 days)	Thursday, 8/10/23 (282 days)
Reply Briefs	Tuesday, 8/1/23 (273 days)	Friday, 9/1/23 (304 days)
Proposed Decision	Thursday, 9/28/23 (331 days)	Wednesday 11/1/23 (365 days)
PD Comments	Wednesday, 10/18/23 (351 days)	Tuesday, 11/21/23 (385 days)
Voting Meeting	November 2023 (361-390 days)	December, 2023 (395-415 days)
Implement New Rate Design	January-February 2024 (390-420 days)	January 1, 2024 (426 days)

In addition, for ease of reference, a consolidated schedule for KTC, KTC, and Ponderosa is displayed in **Exhibit K** hereto, including the schedule proposed in Ponderosa's application in A.22-10-004. If adopted, that schedule will avoid conflicts and maximize efficiency in each of the Group B cases. KTC will engage in further meet and confer efforts with Cal Advocates in advance of the anticipated PHC to pursue a consensus schedule, or, at a minimum, narrow differences between the parties.

E. Scope of Discovery.

As the Commission recognized in the CHCF-A proceeding, the formal "GRC process for the Small ILECs can be described as lengthy, expensive, and burdensome." D.21-06-004 at 27. One of the most significant drivers of this rate case expense is the discovery process, and the number of data requests propounded is grossly disproportionate to the size of these companies and the scope of their applications. In KTC's most recent rate case, the large number of data requests

1 greatly increased the burden and expense of the process. *Clark Opening Testimony* at 58. KTC is
2 also aware of the extent and nature of discovery in the “Group A” rate cases, which has continued
3 to be extensive. For example, Sierra has answered more than 520 data requests, including sub-
4 parts, including many on topics that are beyond the Commission’s jurisdiction, outside of the
5 temporal purview of the rate case, or unnecessary given the Commission’s fixed historical
6 timeframe from which “broadband imputation” must be calculated.⁶⁵ Volcano and Siskiyou had
7 similar experiences,⁶⁶ creating significant burdens and unduly increasing rate case expense, which
8 the Commission has now deemed entirely unrecoverable for companies whose corporate
9 operations expenses exceed the “corporate operations cap” or “operating expense limitation.”⁶⁷

10 To mitigate the burdens of the process and help conserve KTC’s limited resources, the
11 Assigned Commissioner and the assigned ALJ should take two proactive steps to impose
12 reasonable limits on discovery. First, the Commission should restrict discovery regarding
13 “broadband imputation” to confirming the “completeness and accuracy” of the “broadband-related
14 revenues and expenses” of the 2020 ISP financials that have been supplied with this Application in
15 a “financial statement in a format . . . provided by . . . Communications Division.” D.21-04-005 at
16 24 (OP 2). Questions regarding other years and data requests seeking broader ISP operational
17 information are not relevant to determining broadband imputation. It is appropriate for the
18 Commission to circumscribe discovery on this subject in order to mitigate disputes and avoid
19 imposing unnecessary regulatory expenses for which there is no reasonable means of recovery.⁶⁸

20 Second, the ALJ should impose a discovery cutoff 10 business days before the start of
21 evidentiary hearings so that parties may focus on preparing for evidentiary hearings without
22 responding to last-minute data requests. A discovery cutoff will avoid abuse of the discovery

24 ⁶⁵ Sierra received 520 data requests from Cal Advocates in connection with its ongoing rate case.

25 ⁶⁶ Volcano received over 890 data requests and Siskiyou received over 750 data requests from Cal
Advocates in connection with its ongoing rate case.

26 ⁶⁷ See D.21-06-004 at 24.

27 ⁶⁸ As explained above, KTC’s expenses are already above the corporate expense cap and the operating
expense limitation that the Commission has adopted without the possibility of rebuttal, and rate case
28 expense is not separately recoverable based on the Commission’s decisions in Phase 2 of the CHCF-A
rulemaking. See D.21-06-004 at 24 (denying recovery of rate case expense outside the corporate expense
cap); D.21-08-042 at 22-24 (denying recovery of the additional rate case expense imposed by the addition
of broadband imputation to rate cases).

1 process as parties prepare for hearings. It will also encourage parties to efficiently serve data
2 requests well in advance of hearings, helping to resolve disputes earlier and increase chance of
3 settlement. The Commission has ample authority to impose reasonable restrictions on discovery,
4 and it has imposed certain limits in specific proceedings to promote efficiency.⁶⁹ For example, a
5 reasonable discovery cutoff of 13 days before evidentiary hearings was imposed by the ALJ in
6 most recent rate case for KTC's sister company, FTC.⁷⁰ A similar measure should be adopted
7 here. Based on the past experiences of the parties, there are material risks of excessive discovery
8 in this proceeding, and KTC's proposals for reasonable limitations are justified. KTC reserves the
9 right to propose additional measures based on the scope and extent of data requests that may be
10 propounded as this proceeding moves forward.

11 VI. SUMMARY OF TESTIMONY.

12 In addition to the facts and authorities in this Application, KTC has served comprehensive
13 pre-filed testimony in support of its proposed relief, as follows:

14 **Rhonda Armstrong, Vice President of Administrative Services:** Ms. Armstrong
15 provides an overview of KTC's operations, service territories, customer bases, and overall
16 business objectives, grounded in her history of living and working in KTC's service area. Ms.
17 Armstrong will also address the importance of keeping customer rates at current levels to avoid
18 making KTC's services unaffordable for consumers.

19 **David Clark, Regulatory Manager:** Mr. Clark provides the full range of ratemaking
20 calculations necessary to support KTC's revenue requirement and rate design proposals. He
21 performs a depreciation study to identify reasonable going-forward rates to reflect the diminution
22 in value of KTC's infrastructure over time. Mr. Clark addresses cost allocations, jurisdictional
23 separations, affiliate transactions, and compliance items from the CHCF-A proceeding and prior

24 _____
25 ⁶⁹ See D.06-12-042 at 4-7 (finding discovery restrictions justified to expedite timely resolution and avoid
26 delay and denying applications for rehearing alleging discovery limits were legal error); A.17-10-004
27 (Foresthill rate case), *ALJ Ruling Denying Cal Advocates' Motion for Reconsideration* at 2 (Aug. 13, 2018)
28 (imposing discovery cutoff and assigning discovery referee); see also Code of Civ. Proc. § 2017.020(a); see
also Code Civ. Proc. § 2017.020(a); *People v. Sarpas*, 225 Cal.App.4th 1539, 1552-54 (2014) (limiting the
number of interrogatories given that the "needs of the case did not warrant all of the interrogatories" and
the volume was "unwarrantedly" oppressive, unduly burdensome and expensive).

⁷⁰ A.17-10-004, *ALJ Ruling Designating Discovery Referee and Setting Pre-evidentiary Hearing
Deadlines* (Aug. 10, 2018) at 2.

1 rate cases.

2 **Tom Dominico, Vice President of Technology:** Mr. Dominico provides an overview of
3 the Company's investment in its network to ensure that it is delivering safe, reliable voice service
4 over a broadband-capable platform that is compliant with federal and state regulatory
5 requirements, and that it provides adequate emergency response. Mr. Dominico further describes
6 KTC's future investment in telecommunications network construction and maintenance. In
7 addition, Mr. Dominico describes the steps that KTC has taken to ensure that its network is
8 resilient, that its emergency response is efficient, and that its business practices prioritize safety.

9 **Dr. Dale Lehman, PhD Economist:** Dr. Lehman, an economist with a
10 telecommunications policy background, provides economic support for establishing KTC's "all-
11 inclusive" basic, residential rate and supports KTC's proposal to avoid rate increases for the low-
12 income and middle-income customers that comprises its service territories. Dr. Lehman
13 summarizes economic metrics and market dynamics affecting affordability in KTC's areas, and
14 includes comparative data showing that KTC's rates are already among the highest in the country
15 amongst rural telephone companies, further militating against significant rate increases.

16 **VII. LIST OF EXHIBITS.**

17 This Application includes the following exhibits.

18	Exhibit A	Executive Director Letter Extending Filing Date
19	Exhibit B	Summary of Depreciation Rates and Balances
20	Exhibit C	Broadband Imputation Calculations
21	Exhibit D	Most Recent Financial Statements
22	Exhibit E	Depreciation Reserve and Expense
23	Exhibit F	Tariff Changes
24	Exhibit G	Summary of Estimated Earnings
25	Exhibit H	Notices of Publication
26	Exhibit I	Customer Notices
27	Exhibit J	Lease, License, and Property Access Revenue Report
28	Exhibit K	Proposed Procedural Schedule

1
2 **VIII. PRAYER FOR RELIEF.**

3 WHEREFORE, KTC respectfully requests that this Commission issue a decision:

4 1. Adopting the revenue requirements of \$6,448,140 for test year 2024 for KTC, to
5 take effect on January 1, 2024, and remain in place until they are modified in a subsequent rate
6 case or through another properly scoped Commission proceeding;

7 2. Adopting the rate designs proposed in this Application, including a CHCF-A draw
8 of <<START CONFIDENTIAL [REDACTED] END CONFIDENTIAL>> for KTC, subject only
9 to annual adjustments through the CHCF-A advice letter process governed by D.91-09-042;

10 3. Adopting the depreciation rates proposed herein;

11 4. Adopting basic rates of \$23.50 for residential customer and \$36.30 for business
12 customers, and including all custom calling features and voice mail in the basic rates.

13 5. Adjusting KTC's tariffs as necessary to implement proposed rate changes
14 proposed.

15 6. Establishing a mechanism for reversing the effects of broadband imputation on the
16 calculations in this rate case if the pending appellate challenge addressing this policy is successful
17 and the Commission's Broadband Imputation Decision is annulled; and

18 7. Providing such other relief as may be necessary and proper.

19 Executed at Oakland, California on this 1st day of November 2022.

20 Patrick M. Rosvall
21 Sarah J. Banola
22 Sean J. Beatty
23 Chelsie Liberty
24 BRB Law LLP
25 436 14th Street, Suite 1205
26 Oakland, CA 94612
27 Phone: (510) 955-1081
28 Email: patrick@brblawgroup.com

By: /s/ Patrick M. Rosvall
Patrick M. Rosvall

Attorneys for Kerman Telephone Co.

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VERIFICATION

I, William S. Barcus, declare under penalty of perjury that the following is true and correct:

I am the President of Kerman Telephone Co. (U 1012 C) ("KTC"). As an officer of KTC, and on its behalf, I make this verification. I have read the foregoing Application and know its contents from my own knowledge and/or from my discussion of its contents with other knowledgeable employees and representatives of FTC. The matters stated in this Application are true of my own knowledge or I am informed and believe that they are true, and on that basis, I allege that the matters stated in this Application are true.

Executed this 1st day of November 2022 at Fresno, California.



William S. Barcus
President
Kerman Telephone Co.

Exhibit A

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 18, 2022

File No.: R.11-11-007

Patrick M. Rosvall, Esq.
BRB Law LLP
436 14th Street, Suite 1205
Oakland, CA 94612
patrick@brblawgroup.com

RE: Request of Foresthill Telephone Co. and Kerman Telephone Co. for One-Month Extension of Filing Dates Under Rate Case Plan

Dear Patrick Rosvall:

On July 1, 2022, Foresthill Telephone Co. (Foresthill) and Kerman Telephone Co. (Kerman) (collectively, the Companies) filed a letter with the Executive Director of the California Public Utilities Commission (Commission), pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure. The letter requests a one-month extension to November 1, 2022 of the October 1, 2022 deadline for the Companies to file their general rate case (GRC) applications, with a corresponding adjustment to the pre-application deadlines linked to the application filing date as set forth in the Rate Case Plan in Decision (D.) 15-06-048, as modified in D.20-08-011.

In D.20-08-011, the Commission modified the timing for the filing of the Companies' GRCs by moving Kerman from Group A and Foresthill from Group C and placing both into Group B, recognizing that "combining Kerman and Foresthill's GRCs into the same group 'will streamline the GRC process and promote efficiency.'" *Id.* at 44. The letter states that (1) the Companies operate under the same corporate structure and that their rate cases will be prepared and managed by the same employees, (2) the Companies had understood that, as a result of moving into Group B, they would be permitted to file a joint GRC application, (3) the Companies have recently been informed that the Commission's Docket Office and Communications Division prefer that the GRC applications of Kerman and Foresthill be separate, (4) the Companies had already prepared an initial draft GRC application that would be submitted jointly that now must be separated into two submissions, with similar adjustments to the various pre-application submissions, and (5) those adjustments have created additional, unexpected work for the Companies that merits a reasonable extension.

I hereby grant the request of Foresthill and Kerman for a one-month extension of time to November 1, 2022, for filing their GRC applications, with a corresponding

Patrick M. Rosvall, Esq.

July 18, 2022

Page 2

adjustment to the pre-application deadlines linked to the application filing date as set forth in the Rate Case Plan in D.15-06-048, as modified in D.20-08-011.

Pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure, Foresthill and Kerman shall promptly notify the service list of Rulemaking 11-11-007 via electronic mail that this request was granted.

Sincerely,

A handwritten signature in black ink that reads "Rachel Peterson". The script is cursive and fluid, with the first name and last name clearly distinguishable.

Rachel Peterson
Executive Director

Exhibit B

KERMAN TELEPHONE CO
Depreciation Study Comparison
December 31, 2024

Account	Description	Present	Proposed		
		%	%		Difference
2111	Land	0.00%	0.000%		0.000%
2112	Vehicles	11.08%	5.476%		-5.604%
2114	Other Work Equipment	3.57%	3.948%		0.378%
2121	Buildings	1.88%	1.825%		-0.055%
2122	Furniture	7.10%	1.000%		-6.100%
2123	Office Equipment	34.68%	34.680%		0.000%
2124	General Purpose Computers	9.99%	16.084%		6.094%
2212	Central Office Switching	9.62%	9.620%		0.000%
2220	COE-Operator System	8.31%	8.310%		0.000%
2232.10	COE-Circuit Eqpt.	8.31%	0.804%		-7.506%
2411	Poles	0.00%	0.000%		0.000%
2421	Aerial Cable	0.00%	0.000%		0.000%
2422.10	Underground Cable - Metallic	0.71%	3.823%		3.113%
2422.20	Underground Cable - Non-metallic	4.16%	4.160%		0.000%
2423.10	Buried Cable - Metallic	0.71%	0.710%		0.000%
2423.20	Buried Cable - Non-metallic	4.23%	4.230%		0.000%
2431.10	Aerial Wire	0.00%	0.000%		0.000%
2441	Conduit	3.71%	3.644%		-0.066%
2682.10	Leasehold Improvements	0.00%	0.000%		0.000%

Exhibit C
[Public]

Confidential; portions redacted

Question		Answer	Additional Information
1	Name of ILEC	Kerman Telephone Co.	
2	ILEC physical address	811 South Madera Ave, Kerman CA	
3	Name of Affiliate ISP Corp.	Audeamus	
4	ISP physical address	7600 N. Palm Ave, Fresno, CA	
5	Does this ISP affiliate provide Internet access throughout the ILEC territory?	Yes	
6	Does this ISP affiliate provide Internet access outside the ILEC's territory?	Yes	
7	Does this affiliate provide Internet access using alternate platform? If Yes, please describe.	No	
8	Does the ISP affiliate use any common building or facilities in providing internet access service to the ILEC territory and conducting other businesses? If yes, how are expenses allocated between internet service and other businesses?	A portion of the buildings in Kerman/Foresthill/Fresno are all allocated to the ISP based upon the Land and Building Study completed by Sebastian as discussed in responses to B12 and E5.	

Exhibit D



Sebastian (Kerman)
Income Statement Summary
For the Period Ending August 31, 2022

	Actual
OPERATING REVENUES	
Local Service	813,322
Local Service - CHCF	2,442,885
Network Access Service	2,888,130
Network Access - FUSF	1,335,148
Miscellaneous	88,862
TOTAL OPERATING REVENUES	7,568,346
OPERATING EXPENSES	
Plant Operations	3,057,757
Depreciation/Amortization Exp	1,650,449
Customer Operations	643,670
Corporate Operations Expense	1,167,748
Interest Expense	141,940
Property Taxes	236,870
TOTAL OPERATING EXPENSES	6,898,435
TOTAL NET OPERATING INCOME (before I-Tax)	669,911
OTHER OPERATING INCOME/EXPENSE	
Operating Taxes	175,786
Deferred Income Taxes	-
TOTAL OPERATING INCOME TAXES	175,786
NET OPERATING INCOME AFTER INCOME TAX	494,125
Net Non-Op Income After Income Tax	35,629
Other Nonregulated Revenues	651
TOTAL OTHER INCOME/EXPENSE	36,280
NET INCOME	457,844



Sebastian (Kerman)
Balance Sheet Summary
As of August 31, 2022

ASSETS

CURRENT ASSETS

Cash And Equivalents	1,219,122
Telecommunications - Accounts Receivable	2,363,952
Affiliate Accounts Receivable	4,246,039
Other Current Assets	856,369
Total Current Assets	8,685,482

NONCURRENT ASSETS

Lease Deposit	497,689
Non-Operating Plant Net	15,147
Other	1,038
Total Noncurrent Assets	513,874

REGULATED PLANT

Regulated Plant Under Construction	1,314,733
Regulated Plant In Service	57,487,987
Regulated Accumulated Depreciation	(38,895,620)
Leasehold Improvements	
Total Regulated Plant	19,907,101

TOTAL ASSETS 29,106,457

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

Accounts Payable	719,048
Affiliate Accounts Payable	916,233
Other Current Liabilities	612,560
Curr Mature-Long Term Debt	842,380
Total Current Liabilities	3,090,221

Total Long Term Liabilities 6,422,582

Total Deferred Income Taxes 2,881,000

SHAREHOLDERS EQUITY

Capital	1,886,712
Retained Earnings	14,368,097
Current Year Net Income	457,844
Total Shareholders' Equity	16,712,654

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY 29,106,457

**SEBASTIAN**

Kerman Telephone Company
Consolidated Statements of Cash Flows
For the Period Ended August 31, 2022

January 1, 2022 -
August 31, 2022

Cash Flows from Operating Activities:

Net (loss) income	457,844
<i>Adjustments to reconcile net (loss) income to net cash</i>	
Depreciation and amortization	1,650,449
Allowance for funds used during construction	(21,432)
 Increase (decrease) in cash due to changes in assets and liabilities:	
Subscriber accounts receivable	(621,506)
Settlement and access receivables	(373,896)
Parent and affiliates receivables	(360,790)
Other accounts receivable	(362,034)
Materials and supplies	(58,840)
Prepaid expenses	52,259
Prepaid income taxes	59,340
Accounts payable	349,747
Parent and affiliates payables	916,233
Advance billings and other	10,654
Accrued compensated absences	(37,699)
Accrued Income Taxes	52,834
Accrued pension	(40,880)
 Net Cash from Operating Activities	 \$1,672,285

Cash Flows from Investing Activities:

<i>Net acquisitions of property, plant, and equipment</i>	(879,817)
 Net Cash from Investing Activities	 (879,817)

Cash Flows from Financing Activities:

<i>Repayment of long-term debt</i>	(897,346)
 Net Cash Provided from Financing Activities	 (897,346)

Net Change in Cash and Cash Equivalents	(104,878)
--	------------------

Cash and Cash equivalents, beginning of period	1,324,000
---	------------------

Cash and Cash equivalents, end of period	1,219,122
---	------------------

Exhibit E

KERMAN TELEPHONE CO.
DEPRECIATION RESERVE/EXPENSE

2024

ACCOUNT DESCRIPTION	ACCOUNT NUMBER	BEGINNING BALANCE	DEPRECIATION ACCRUAL	RETIREMENTS	SALVAGE	COST OF REMOVAL	ADJUSTMENTS	ENDING BALANCE	AVERAGE BALANCE
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1 LAND	3121.11	0	0	0	0	0	0	0	0
2 MOTOR VEHICLES	3121.12	(423,498)	(32,947)	0	0	0	0	(456,445)	(439,971)
3 SPEC PURPOSE VEHICLES	3121.14	0	0	0	0	0	0	0	0
4 GARAGE WORK EQUIP	3121.15	0	0	0	0	0	0	0	0
5 OTHER WORK EQUIP	3121.16	(326,520)	(33,024)	0	0	0	0	(359,544)	(343,032)
6 BUILDINGS	3121.21	(673,750)	(53,404)	0	0	0	0	(727,154)	(700,452)
7 FURNITURE	3121.22	(383,829)	0	0	0	0	0	(383,829)	(383,829)
8 OFFICE SUPPORT EQUIP	3121.23	(679,075)	0	0	0	0	0	(679,075)	(679,075)
9 GNRL PURPOSE COMPUTERS	3121.24	(525,776)	(329,870)	0	0	0	0	(855,646)	(690,711)
10 DIGITAL SWITCHING	3122.12	(2,034,588)	(57,826)	0	0	0	0	(2,092,414)	(2,063,501)
11 OPERATOR SYSTEM	3122.20	(290,864)	0	0	0	0	0	(290,864)	(290,864)
12 COE RADIO IMTS	3122.31	0	0	0	0	0	0	0	0
13 CIRCUIT EQUIP	3122.32	(14,317,833)	(117,921)	0	0	0	0	(14,435,754)	(14,376,793)
14 STATION APPS	3123.11	0	0	0	0	0	0	0	0
15 911 EMER EQUIP	3123.12	0	0	0	0	0	0	0	0
16 CUSTOMER PREM WIRE	3123.21	0	0	0	0	0	0	0	0
17 PUBLIC TEL EQUIP	3123.51	0	0	0	0	0	0	0	0
18 POLES	3124.11	0	0	0	0	0	0	0	0
19 AERIAL CABLE	3124.21	0	0	0	0	0	0	0	0
20 UNDERGROUND CABLE/METAL	3124.22	(1,605,785)	(87,561)	0	0	0	0	(1,693,346)	(1,649,565)
21 UNDERGROUND CABLE/NON-METAL	3124.22	(5,720,961)	(482,173)	0	0	0	0	(6,203,134)	(5,962,047)
22 BURIED CABLE	3124.23	(8,342,994)	0	0	0	0	0	(8,342,994)	(8,342,994)
23 AERIAL WIRE	3124.31	0	0	0	0	0	0	0	0
24 CONDUIT SYSTEMS	3124.41	(7,148,801)	(577,335)	0	0	0	0	(7,726,136)	(7,437,469)
25 LEASEHOLD IMPROVEMENTS	3400.10	0	0	0	0	0	0	0	0
26 TOTAL OPERATING		(42,474,274)	(1,772,060)	0	0	0	0	(44,246,334)	(43,360,304)

Exhibit F

Schedule No. A-1

INDIVIDUAL LINE SERVICE

APPLICABILITY

Applicable to individual line business and residence flat rate service.

TERRITORY

Within the base rate areas of the Utility, as said areas are defined on maps filed as part of the tariff schedules.

<u>Rate Per Month</u>	
<u>Residence</u>	<u>Business</u>
<u>Service</u>	<u>Service</u>

RATES

EXTENDED SERVICE: *

(C)

(1) Each Individual Line Service \$ 23.50 (I) \$ 36.30

SPECIAL CONDITIONS

1. Individual line business and residence service will be furnished outside the base rate areas and within the exchange area at the above rates.
2. Rates above are for access lines only and include touch calling as the standard signaling arrangement.
3. Extended service comprehends calling without additional charge to all stations served by the exchange of the Utility and Pacific Bell's exchange in the following expanded local calling areas:

From Stations Receiving
Service from the
Exchanges Designated As

Kerman

To Stations Receiving
Service from the
Exchanges Designated As

Fresno

* All voice mail services from Schedule A-12 and custom calling services from Schedule A-28 are included with the basic local service.

(N)
(N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

Date Filed Month Day, Year

Decision No. _____

William S. Barcus

NAME

President

TITLE

Effective January 1, 2024

Resolution No. _____

Schedule No. A-1

INDIVIDUAL LINE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

3. (Continued)

Additionally, the following expanded local calling areas are established in accordance with Decision No. 90-11-058 dated November 21, 1990, to be effective June 1, 1991:

From Stations Receiving
Service from the
Exchanges Designated As

Kerman
Kerman
Kerman

To Stations Receiving
Service from the
Exchanges Designated As

Cantua Creek
San Joaquin
Tranquility

(D)

(D)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 316

William S. Barcus

Date Filed June 3, 2003

Decision No. _____

NAME

Vice President

Effective June 18, 2003

\cng

TITLE

Resolution No. T-16742

Schedule No. A-12

VOICE MAIL SERVICE

APPLICABILITY

Applicable to Voice Mail Service, an optional central office based voice message system, furnished in connection with individual line business and residence service.

TERRITORY

Within the Kerman exchange area, as said area is defined on maps filed as part of the tariff schedules.

RATES

	<u>MONTHLY RATE*</u>	(C)
(1) Greeting Only Voice Mailbox Maximum greeting length - 4 minutes Maximum message/inquiry usage - 500 messages monthly	\$ 0.00	(R)
(2) Economy Tree Only Voice Mailbox Maximum 3 routes Maximum greeting length - 4 minutes Maximum message/inquiry usage - 500 messages monthly	0.00	(R)
(3) Basic Tree Only Voice Mailbox Maximum 8 routes Maximum greeting length - 4 minutes Maximum message/inquiry usage - 500 messages monthly	0.00	(R)
(4) Economy Voice Mailbox Maximum greeting length - 1 minute Maximum message length - 1 minute Maximum message/inquiry usage - 500 messages monthly Message storage - 10 messages Unplayed retention - 7 days Played retention - 2 days	0.00	(R)
Automatic Wake-up option	0.00	(R)
Message Delivery option	0.00	(R)

* Voice mail service now included with basic local service. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

Date Filed Month Day, Year

Decision No.

William S. Barcus

Effective January 1, 2024

NAME

President

Resolution No.

TITLE

Schedule No. A-12

VOICE MAIL SERVICE
(Continued)

RATES - (Continued)

	<u>MONTHLY RATE*</u>	(C)
(5) Basic Voice Mailbox	\$ 0.00	(R)
Maximum greeting length - 2 minutes		
Maximum message length - 2 minutes		
Maximum message/inquiry usage - 500 messages monthly		
Message storage - 20 messages		
Unplayed retention - 14 days		
Played retention - 5 days		
Answer Message option	0.00	(R)
Automatic Wake-up option	0.00	
Give Message option	0.00	
Group Broadcast option	0.00	
Message Delivery option	0.00	
Pager Notification option	0.00	(R)
(6) Enhanced Voice Mailbox	0.00	(R)
Maximum greeting length - 3 minutes		
Maximum message length - 3 minutes		
Maximum message/inquiry usage - 500 messages monthly		
Message storage - 30 messages		
Unplayed retention - 30 days		
Played retention - 10 days		
Answer Message option	Included/no charge	
Automatic Wake-up option	Included/no charge	
Give Message option	Included/no charge	
Group Broadcast option	Included/no charge	
Message Delivery option	Included/no charge	
Pager Notification option	Included/no charge	
Private Sending option	Included/no charge	
Return Receipt option	Included/no charge	
Urgent Sending option	Included/no charge	
(7) Excess Message/Inquiry Usage		
Message/inquiry volumes		
in excess of 500 per month	.00 per call	(R)
* Voice mail now included with basic local service.		(N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

William S. Barcus

Date Filed Month Day, Year

Decision No.

NAME

Effective January 1, 2024

President

Resolution No.

TITLE

Schedule No. A-12

VOICE MAIL SERVICE
(Continued)

RATES - (Continued)

		Monthly Rate**	(C)
(8)	Optional Features:		
(a)	Auto Attendant	\$ 0.00	(R)
		Credit Per Month*	
		<u>Business</u> <u>Residence</u>	
(9)	Voice Mail and Custom Calling Services Multiple Feature Discount Plan, per line**		(C)
a.	Two Features	\$ 0.00	\$ 0.00 (R)
b.	Three Features	0.00	0.00
c.	Four Features	0.00	0.00
d.	Five or More Features	0.00	0.00 (R)

* Rates (1) through (6) in Schedule No. A-12 qualify for discounts as well as Schedule No. A-28,
Custom Calling Service, Rates (3).

** Voice mail service now included with basic local service. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

Date Filed Month Day, Year

Decision No. _____

NAME
President

TITLE

Effective January 1, 2024

Resolution No. _____

Schedule No. A-12

(N)

VOICE MAIL SERVICE
(Continued)

SPECIAL CONDITIONS

1. Voice Mail Service requires special central office equipment and will be provided where there is available central office equipment with proper program updates as determined by the Utility.
2. Explanation of Terms
 - a. Answer Message - This feature allows a customer to record answers to messages left by other mailbox users and then automatically return that answer to the sender's mailbox.
 - b. Automatic Wake-up Option - This feature enables the delivery of a wake-up message to a designated toll free telephone number at a prespecified time. The customer may change the time and date of the wake-up message.
 - c. Customized Mailbox - Any mailbox arrangement that deviates from the standard mailbox offerings.
 - d. Give Messages - This feature allows a customer to transfer a message that they have received in their mailbox to another user's mailbox.
 - e. Group Broadcast Option - This feature allows a customer to establish and send a message to a group of mailboxes simultaneously.
 - f. Integrated Mailbox - A mailbox that is provisioned with a local telephone exchange line and is activated when a telephone call is forwarded from that line to a designated telephone number that is terminated on the voice mail system.
 - g. Maximum Greeting Length - The maximum amount of time allowed for a mailbox greeting.
 - h. Maximum Message/Inquiry Usage - The maximum number of incoming calls that can be received at a mailbox and included in the basic monthly rate. Messages in excess of the maximum number will be charged on a per call basis.

(Continued)

(N)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 203

Wm. G. Sebastian

Date Filed July 13, 1992

Decision No. _____

NAME

Effective August 22, 1992

President

Resolution No. _____

TITLE

Schedule No. A-12

(N)

VOICE MAIL SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

2. Explanation of Terms - (Continued)

- i. Maximum Message Length - The maximum amount of time allowed for a caller's message.
- j. Message Delivery - This feature provides notification to a specific local telephone number that a new message is in the mailbox. The mailbox calls the designated number, identifies itself, requests and verifies a passcode, and then delivers the new message.
- k. Message Storage - The quantity of messages a mailbox can retain for subsequent retrieval.
- l. Message Waiting Notification - Special dial tone that indicates a new message is waiting. Regular dial tone returns after the message is retrieved, erased, or stored. Due to equipment limitations, this feature is not available at all locations.
- m. Pager Notification - This feature provides a signal to a specific pager unit that a message is in the mailbox. Repaging intervals can also be established. The customer can enable and disable this feature from the mailbox.
- n. Played Retention - The number of days a message that has been played will be allowed to remain in a mailbox.
- o. Private Sending - This feature allows a customer to mark a message as "private" before sending it to another mailbox. This marking prevents the recipient from sending the message to another mailbox.
- p. Return Receipt - This feature allows the customer to mark a message as "return receipt requested" before sending it to another mailbox. A return receipt voice message is given to the sender when the recipient plays the message.
- q. Stand Alone Mailbox - A mailbox that has a separate local telephone number and is activated directly or with call forwarding.

(Continued)

(N)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 203

Wm. G. Sebastian

Date Filed July 13, 1992

Decision No. _____

NAME

Effective August 22, 1992

President

\cng

TITLE

Resolution No. _____

Schedule No. A-12

VOICE MAIL SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

2. Explanation of Terms - (Continued)

- r. Unplayed Retention - The number of days an unplayed message will be allowed to remain in a mailbox.
- s. Urgent Sending - This feature allows a customer to mark a message as "urgent" before sending it to another mailbox. This marking will establish the message as a priority for playing by the recipient.
- t. Auto Attendant - An optional call processing system which answers incoming calls and allows the caller to direct calls to telephone extensions without the use of a human operator. Typically, the caller is prompted to dial the extension number or hold for a live operator.

(N)
|
(N)

3. Description of Service

Voice Mail Service is a software controlled system located in the Utility's central office. The system records and stores voice messages for subsequent playback in a voice mailbox arrangement.

Voice mailboxes are established as either integrated or stand alone type mailboxes. Integrated mailboxes are provisioned with an existing local telephone exchange line and are activated when a telephone call is forwarded from that line to a designated telephone number that is terminated on the voice mail system. Stand alone mailboxes have separate local telephone numbers and are not provisioned with a local telephone exchange line. They are activated directly or with call forwarding.

Each voice mailbox provides a personalized greeting for callers, usage prompts, customer tutorial, mnemonic commands, passcode security, and name confirmation upon customer entry. The Economy, Basic, and Enhanced mailboxes also provide storage of the callers' messages with time-date stamp on each message, the ability to override prompts, send messages to other mailboxes, and message waiting notification on mailboxes that are provisioned with a local exchange access line.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 294

William S. Barcus

Date Filed August 21, 2001

Decision No. _____

NAME

Effective October 1, 2001

Vice President

TITLE

Resolution No. _____

\cng

Schedule No. A-12

(N)

VOICE MAIL SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

3. Description of Service - (Continued)

There are six types of Voice Mail Service offered, as follows:

- a. Greeting Only Voice Mailbox - A voice mailbox equipped to play a personal greeting or announcement and then disconnect. The calling party is not able to leave a message. The maximum message length is 4 minutes, and the maximum message usage is 500 message/inquiries per month. A single Greeting Only Voice Mailbox may be provisioned with additional message length minutes by paying additional Greeting Only Voice Mailbox rates.
- b. Economy Tree Only Voice Mailbox - A routing voice mailbox equipped to play a personal greeting to the caller and then allow single digit touch calling selection and routing of the call to another voice mailbox selected by the caller. The calling party is not able to leave a message. The maximum number of routes is 3, the maximum message length is 4 minutes, and the maximum message usage is 500 message/inquiries per month.
- c. Basic Tree Only Voice Mailbox - A routing voice mailbox equipped to play a personal greeting to the caller and then allow single digit touch calling selection and routing of the call to another voice mailbox selected by the caller. The calling party is not able to leave a message. The maximum number of routes is 8, the maximum message length is 4 minutes, and the maximum message usage is 500 message/inquiries per month. A single Basic Tree Only Voice Mailbox may be provisioned with additional routes and message length minutes by paying additional Basic Tree Only Voice Mailbox rates.
- d. Economy Voice Mailbox - A voice mailbox equipped to play a personal greeting to the caller and record the caller's message. The Automatic Wake-up and Message Delivery options may be added to this mailbox at an additional charge. The maximum message length is 1 minute, maximum message usage is 500 message/inquiries per month, maximum message storage is 10 messages, unplayed retention is 7 days, and played retention is 2 days.

(Continued)

(N)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 294

William S. Barcus

Date Filed July 13, 1992

Decision No. _____

NAME

Effective August 22, 1992

Vice President

Resolution No. _____

\cng

TITLE

Schedule No. A-12

(N)

VOICE MAIL SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

3. Description of Service - (Continued)

- e. Basic Voice Mailbox - A voice mailbox equipped to play a personal greeting to the caller and record the caller's message. Answer Message, Give Message, Group Broadcast, Pager Notification, Message Delivery, and Automatic Wake-up options may be added to this mailbox at an additional charge. The maximum message length is 2 minutes, maximum message usage is 500 message/inquiries per month, maximum message storage is 20 messages, unplay retention is 14 days, and played retention is 5 days.
- f. Enhanced Voice Mailbox - A voice mailbox equipped to play a personal greeting to the caller and record the caller's message. Urgent Sending, Private Sending, Return Receipt, Group Broadcast, Answer Message, Give Message, Pager Notification, Message Delivery, and Automatic Wake-up options are included at no additional charge. The maximum message length is 3 minutes, maximum message usage is 500 message/inquiries per month, maximum message storage is 30 messages, unplayed retention is 30 days, and played retention is 10 days.

4. Voice Mail Service

- a. Is furnished for a minimum period and/or charge of one month.
- b. Is provided on single party lines only.
- c. Requires that a customer's line is equipped with touch calling service.
- d. Requires use of a dual tone multi-frequency (DTMF) compatible telephone set.

5. Directory Listings

The Utility will furnish one alphabetical directory listing without charge per stand alone mailbox, if requested. Additional listing will be offered subject to the provisions outlined in Schedule No. A-14, Directory Listings, and Schedule No. A-8, Joint User Service, or may be provided at no charge if in the judgement of the Utility such listings will improve service to the public, reduce Utility operating costs, or both.

(Continued)

(N)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 294

William S. Barcus

Date Filed July 13, 1992

Decision No. _____

NAME

Effective August 22, 1992

Vice President

Resolution No. _____

\cng

TITLE

Schedule No. A-12

(N)

VOICE MAIL SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

6. The number outdiald for Pager Notification, Message Delivery, and Automatic Wake-up is restricted to the toll free calling area.
7. Under certain conditions, the facilities restrictions and limitations may prevent Automatic Wake-up from activating at the precise time designated by the customer.
8. Certain trunk hunting services may not be compatible with Voice Mail Service.
9. Call Waiting takes precedence over Call Forwarding to a Voice Mailbox.
10. Calls made to local exchange telephone lines equipped with an integrated mailbox will be automatically terminated on a designated mailbox when the line is busy or unanswered after a designated number of rings, unless otherwise specified by the customer.
11. Message Waiting Notification is provided only on mailboxes associated with local exchange lines. Due to equipment limitation, this feature is not available at all locations.
12. Multi-Element Service Charges as set forth in Schedule No. A-24 will apply to this service.
13. Charges for Voice Mail Services are included in charges that may be subject to disconnection for nonpayment as described in Rule No. 11., Discontinuance and Restoration of Service.
14. Limitation of Liability

The Utility makes no guarantee and assumes no liability for accuracy, performance, or nonperformance of the Voice Mail Service.

Provisions covering limitation of liability and allowance for interruption in service set forth in Rule No. 24, Limitation of Liability, shall apply to this service.

(N)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 294

Date Filed July 13, 1992

Decision No. _____

William S. Barcus

NAME

Effective August 22, 1992

Vice President

TITLE

Resolution No. _____

\cng

Schedule No. A-28

CUSTOM CALLING SERVICE

APPLICABILITY

Applicable to Custom Calling Service furnished in connection with individual line business and residence service.

TERRITORY

Within the Kerman exchange area, as said area is defined on a map filed as part of the tariff schedules.

RATES

		<u>Monthly Rate***</u>		(C)
		<u>Business</u>	<u>Residence</u>	
(1)	Individual Features, each line*			
a.	Call Forwarding	\$ 0.00	\$ 0.00	(R)
b.	Call Waiting**	0.00	0.00	
c.	Three-way Calling	0.00	0.00	
d.	Customer Changeable Speed Calling			
(1)	Eight Code Capacity	0.00	0.00	
(2)	Thirty Code Capacity	0.00	0.00	
e.	Teen Service/Distinctive Ringing	0.00	0.00	
f.	Busy Call Forwarding	0.00	0.00	
g.	Delayed Call Forwarding	0.00	0.00	(R)

* Includes all stations.

** See Special Conditions 3.b.(1) for Cancel Call Waiting.

*** Custom calling service now included with basic local service.

(N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

William S. Barcus

Date Filed Month Day, Year

Decision No.

NAME

Effective January 1, 2024

President

Resolution No.

TITLE

Schedule No. A-28

CUSTOM CALLING SERVICE
(Continued)

RATES - (Continued)

		<u>Monthly Rate***</u>		(C)
		<u>Business</u>	<u>Residence</u>	
(2)	Advanced Calling Features*			
a.	Call Return	\$ 0.00	\$ 0.00	(R)
b.	Repeat Dialing.....	0.00	0.00	
c.	Priority Ringing.....	0.00	0.00	
d.	Selective Call Forwarding	0.00	0.00	
e.	Selective Call Rejection	0.00	0.00	
f.	Selective Call Acceptance	0.00	0.00	
g.	Anonymous Call Rejection	0.00	0.00	(R)
h.	Caller ID.....	0.00	0.00	
i.	Caller ID Selective or Complete Blocking			
1.	Before January 1, 1997:			
	Each customer's initial selection of Selective Blocking or Complete Blocking, or change in their blocking selection.....	No Charge	No Charge	
2.	On or after January 1, 1997:			
(a)	Each customer may change their blocking selection one time free of charge.			
(b)	After the customer's one free change, the customer will be charged for each change in their blocking selection	0.00	0.00	(R)
j.	Call Waiting ID: #	No Charge	No Charge	
		<u>Credit</u> <u>Per Month**</u>		
		<u>Business</u>	<u>Residence</u>	
(3)	Custom Calling and Voice Mail Services			
	Multiple Feature Discount Plan, per line***			(C)
a.	Two Features.....	\$ 0.00	\$ 0.00	(R)
b.	Three Features	0.00	0.00	
c.	Four Features.....	0.00	0.00	
d.	Five or More Features	0.00	0.00	(R)

* Includes all stations

** Rates (1) and (2) in Schedule No. A-28 qualify for discounts as well as Schedule No. A-12, Voice Mail Services, Rates (9).

*** Custom calling service now included with basic local service.

Rates for Caller ID and Call Waiting apply in addition to this rate.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

Date Filed Month Day, Year

Decision No. _____

William S. Barcus

Effective January 1, 2024

NAME

President

Resolution No. _____

TITLE

Schedule No. A-28

CUSTOM CALLING SERVICE
(Continued)

RATES - (Continued)

		Per		Monthly Cap	
		<u>Business</u>	<u>Residence</u>		
(4)	Usage Sensitive Feature: *				(C)
	Call Trace.....	\$ 0.00	\$ 0.00	\$0.00	(R)
		Per		Monthly Cap	
		<u>Business</u>	<u>Residence</u>		
(5)	Usage Sensitive Custom Calling Service* (see Special Conditions 11):				(C)
a.	Call Return	\$ 0.00	\$ 0.00	\$ 0.00	(R)
b.	Repeat Dialing.....	0.00	0.00	0.00	
c.	Charge to Remove Blocking of Usage Sensitive Custom Calling Service	0.00	0.00	- -	(R)

* Custom calling service now included with basic local service. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

William S. Barcus

Date Filed Month Day, Year

Decision No. _____

NAME

Effective January 1, 2024

Vice President

TITLE

Resolution No. _____

Schedule No. A-28

CUSTOM CALLING SERVICE
(Continued)

SPECIAL CONDITIONS

1. Custom Calling Service requires special central office equipment and will be provided only where facilities and operating conditions permit. (C)
(C)
2. Custom Calling Service will not be provided in connection with Semi-Public Service, Private Branch Exchange Trunk Line Service, Centrex Service, data access lines, ISDN lines, or Two-Party Lines. (C)
(C)
3. Description of Service
 - a. Call Forwarding

Call Forwarding permits the customer to arrange his service to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at his discretion.
 - b. Call Waiting

Call Waiting permits the customer engaged in a call, to receive a tone signal indicating a second call is waiting, and by operation of the switchhook to place the first call on hold and answer the waiting call. The customer may alternate between the two calls by operation of the switchhook, but a three-way conference cannot be established.
 - (1) Cancel Call Waiting (CCW) is available to customers who subscribe to Call Waiting. This allows a customer to dial an activation code prior to making a call and cancel the Call Waiting feature. CCW must be activated each time the customer wants Call Waiting canceled. Customers subscribing to Three-Way Calling can activate CCW while an incoming or outgoing call is in progress.

(Continued)

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William S. Barcus

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Decision No. _____

NAME

Effective October 8, 1998

Vice President

TITLE

Resolution No. _____

Schedule No. A-28

CUSTOM CALLING SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

3. Description of Service - (Continued)

c. Three-way Calling

Three-way Calling permits the customer to add a third party to an established connection. When the third party answers, a two-way conversation can be held before adding the original party for a three-way conference. The customer initiating the conference controls the call and may disconnect the third party to re-establish the original connection or establish a connection to a different third party. The feature may be used on both outgoing and incoming calls.

d. Customer Changeable Speed Calling

Customer Changeable Speed Calling permits the customer to place calls to other telephone numbers by dialing a one or two digit code rather than the complete telephone number. The feature is available as an eight or thirty code list. Either code list may include local and/or toll telephone numbers. To establish or change a telephone number in a code list, the customer dials an activating code, receives a second dial tone and dials either a one or two digit code (for eight code and thirty code lists, respectively) plus the telephone number.

e. Teen Service/Distinctive Ringing

Teen Service/Distinctive Ringing permits the customer to add an additional telephone number to an existing one party individual line. It provides distinctive ringing and call waiting tones for each number.

f. Busy Call Forwarding

Busy Call Forwarding permits the forwarding of incoming calls when the customer's line is busy. The forwarded number is fixed by the customer service order. Calls may be forwarded outside the customer's local central office.

g. Delayed Call Forwarding

Delayed Call Forwarding permits the forwarding of incoming calls when the customer's line remains unanswered after customer-designated number of rings. The number of rings and the forwarded number are fixed by the customer service order. Calls may be forwarded outside the customer's local central office.

(N)

(N)

(Continued)

(To be inserted by the utility)

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Decision No. _____

William S. Barcus

NAME

Vice President

TITLE

Effective January 29, 2001

Resolution No. _____

\cng

Schedule No. A-28

(N)

CUSTOM CALLING SERVICE

(Continued)

SPECIAL CONDITIONS - (Continued)

3. Description of Service - (Continued)

f. Advanced Calling Feature Descriptions:

- (1) **Call Return** (*Automatic Recall*) - This is an incoming call management feature that allows customers to have call setup performed automatically to the calling party of the last incoming call. This applies whether the incoming call was answered or unanswered. A call initiated by Call Return will appear on the customer's billing record by area code and prefix only. Under no circumstances will the calling party's telephone number be announced.
- (2) **Repeat Dialing** (*Automatic Call Back*) - This is an outgoing call management feature that allows customers to have the DMS-10 redial the last number called from their station. This applies regardless of whether the original call was answered, unanswered, or encountered a busy tone. The system monitors the calling and called lines and attempts to connect the call for up to 30 minutes. The activation of this feature can be canceled by the customer when desired.
- (3) **Priority Ringing** (*Distinctive Ringing/Call Waiting*) - This is an incoming call management feature that allows customers to define a list of calling directory numbers (DNs) that provide the customer with special incoming call treatment. Any incoming calls on this list are indicated by a distinctive ringing pattern or a distinctive Call Waiting tone, if applicable. Terminating calls from telephone numbers which are not on the list, or which cannot be identified, are given standard treatment.
- (4) **Selective Call Forwarding** - This allows customers to have certain terminating calls forwarded to a designated remote directory number. This activity occurs whenever a call is received from a number which has been indicated on a list of numbers. Terminating calls from telephone numbers which cannot be identified, or which have not been indicated on the list, are given standard terminating treatment.

(Continued)

(N)

(To be inserted by the utility)

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(To be inserted by Cal. P.U.C.)

Advice Letter No. 234A

Date Filed October 29, 1996

Decision No. 96-10-054

Ruth Anne Barcus

NAME

President

TITLE

Effective December 6, 1996

Resolution No. _____

Schedule A-28

CUSTOM CALLING SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

3. Description of Service - (Continued)

f. Advanced Calling Feature Descriptions: (Continued)

- (5) **Selective Call Rejection** - This allows customers to define a list of calling directory numbers (DNs) to be screened. Any calling numbers on this list are routed to a Utility recorded announcement and rejected. These calls are treated as incomplete calls and not billed to the calling party. All other calls are treated normally. The calling party on the rejection list receives an announcement stating the call is not presently being accepted by the called party.
- (6) **Selective Call Acceptance** - This allows customers to define a list of calling DN's that will be accepted. Any calling numbers not on that list are routed to a Utility recorded announcement and rejected. Those calls will be treated as incomplete calls and not billed to the calling party. The calling party not on the acceptance list receives an announcement stating that the call is not presently being accepted by the called party. Customers can review and change the list of accepted numbers as desired.
- (7) **Anonymous Call Rejection** - This feature allows customers with or without caller identification services to reject calls for which calling name/number display information has been intentionally blocked. Only calls for which the information has been blocked are rejected. Rejected calls are sent to an operating Utility recorded announcement, and those calls will be treated as an incomplete call and not billed to the calling party.
- (8) **Caller ID (Calling Number Delivery)** - This allows customers to receive the calling number on incoming calls. The number is delivered to the called party's customer premises equipment (CPE) in the interval between the first and second ring. The calling number remains for the duration of the call and can be viewed from the display on the CPE.

(Continued)

(N)

(To be inserted by the utility)

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Advice Letter No. 234A

Date Filed October 29, 1996

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Ruth Anne Barcus
NAME
President

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Resolution No. _____

\cng

TITLE

Schedule No. A-28

CUSTOM CALLING SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

3. Description of Service - (Continued)

f. Advanced Calling Feature Descriptions: (Continued)

- (9) **Caller ID Blocking** - This allows the calling party to suppress his/her directory number (DN) so that the called party with Calling Number Delivery does not receive the information. The called party receives a "private" message instead of the calling party's DN. Caller ID Blocking does not work when calling 800/888, 900 service, and E9-1-1. There are two available options:
- a) **Caller ID Blocking - Per Call** (Advertised as "Selective Blocking" to the public) - This feature will block the delivery of the customer's number to a Caller ID customer for one call only and may be activated from all individual access lines by pressing *67 or dialing 1167 from a rotary phone prior to placing the call.
- b) **Caller ID Blocking - Per Line** (Advertised as "Complete Blocking" to the public) - This feature will automatically block the delivery of the customer's number to a Caller ID customer on all calls and will be provided at no charge to all customers requesting it. A customer is able to unblock their line on a specific call by pressing *82 or dialing 1182 from a rotary phone prior to placing the call.
- (10) **Call Waiting ID** - This is an enhancement to Call Waiting that provides a display of the calling party's telephone number in a waiting call. This enables the customer to decide on the disposition of the call in progress. This feature requires subscription to both Caller ID and Call Waiting.
- (11) **Call Trace** (*Customer Originated Trace*) - This allows customers to initiate a trace on the last incoming call by dialing an activation code. The call is traced automatically, and the printout of the originating DN and the time the call was made is forwarded to a predetermined location, not to the customer. The customer then contacts the Utility or law enforcement agency to determine further action.

(N)

(N)

(T)

(Continued)

(To be inserted by the utility)

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Date Filed October 13, 2009

Decision No. _____

Effective November 11, 2009

\cng

William Barcus
NAME
President
TITLE

Resolution No. _____

Schedule No. A-28

CUSTOM CALLING SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

4. The Call Forwarding Service customer is responsible for the payment of applicable charges for each completed call between his call forwarding equipped station and the station to which the call is forwarded. This charge, local, message unit, or dial station toll applies to all forwarded calls that are answered at the station to which the calls are forwarded.

Charges between the originating station and the call forwarding equipped station are applicable in accordance with regularly filed tariffs, local, message unit, dial station, operator station, or person toll.
5. Custom Calling Service features may be provided to customers with either rotary dial telephones or touch calling telephones.
6. The quality of transmission of calls that are forwarded or on Three-Way Calling may vary depending on the distance and the routing necessary to complete each call and normal transmission is not guaranteed on any forwarded call or three-way call.
7. Only one type of Customer Changeable Speed Calling may be provided on each line, either eight code or thirty code.
8. It is the responsibility of the customer forwarding calls to another service to obtain any necessary permission of the customer to whom the calls are forwarded. Rule No. 11 prohibits interference of telephone service of another customer.
9. Each customer subscribing to Teen Service/Distinctive Ringing will receive, at no extra charge, an additional listing in the white pages of the telephone directory.
10. Caller ID service requires customer premises equipment that will display the number calling. The Advanced Calling features will only work outside the serving area if the called number or calling number is served from capable switches and adequate terminal equipment.

(L)

(L)

(N)

(N)

(L) Previously shown on Cal. P.U.C. Sheet No. 1401-T.

(Continued)

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Ruth Anne Barcus

Date Filed October 29, 1996

Decision No. 96-10-054

NAME

President

Effective December 6, 1996

TITLE

Resolution No. _____

Schedule No. A-28

(N)

CUSTOM CALLING SERVICE

(Continued)

SPECIAL CONDITIONS - (Continued)

11. Usage Sensitive Custom Calling Service

a. Description of Service

Usage Sensitive Custom Calling Service allows customers to use Call Return by pressing *69 or dialing 1169, and Repeat Dialing by pressing *66 or dialing 1166 on a pay-per-use basis. Customers are charged for each successful activation of the feature. If the call is completed, any toll charges incurred will continue to apply and be billed separately.

For Call Return and Repeat Dialing, a successful activation is defined as an attempt by the Utility's central office switch to ring the called party's line. A completed call is not guaranteed. Charges are incurred for utilizing the feature in an attempt to complete a call and not for completion of the call itself. Charges will not be assessed if call setup results in a busy condition (the called line remains busy for the entire 30-minute activation period). Additional charges will not be assessed when the calling party reactivates or deactivates the feature to the same number within the 30-minute activation period.

The functionality of these features do not differ from the existing features offered for a monthly rate.

b. Regulations

- (1) Call Return and Repeat Dialing will only operate when both the caller and the call recipient are served from capable switches and within the same serving LATA.
- (2) The customer is not required to order the features unless they wish to subscribe to the features as a monthly service.

(Continued)

(N)

(To be inserted by the utility)

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Date Filed May 26, 1998

Decision No. _____

William S. Barcus

NAME

Vice President

TITLE

Effective October 8, 1998

Resolution No. _____

\cng

Schedule No. A-28

(N)

CUSTOM CALLING SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

11. Usage Sensitive Custom Calling Service - (Continued)

b. Regulations - (Continued)

- (3) The Utility shall, upon request from the customer, provide blocking of the Usage Sensitive Call Return and Repeat Dialing features free of charge. Customers may request blocking by calling the business office.
- (4) Each customer is obligated to pay the applicable service charge for the removal of blocking from their telephone line(s) as shown in Rates (5)d.
- (5) The Utility shall make a one-time adjustment for charges incurred per account if it is established that, (a) the customer did not know a charge applied per activation of the features, (b) the activations were made by a minor child and the calls were made without parental consent, (c) the calls were not authorized by the customer of record, or (d) the customer inadvertently activates the feature. The customer of record must request an adjustment within 60 days of the bill date on the bill in question. The customer will be informed of the blocking option at the time of the adjustment.
- (6) The service charge for unblocking a residence and business access line will not be charged if the unblocking is requested at the time the customer orders one or more Custom Calling features on a monthly basis.

(N)

(To be inserted by the utility)

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Decision No. _____

William S. Barcus

NAME

Vice President

TITLE

Effective October 8, 1998

Resolution No. _____

\cng

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE

APPLICABILITY

- (1) Applicable to eligible residence customers for Universal LifeLine Telephone Service (ULTS) a.k.a. California LifeLine Program or LifeLine furnished pursuant to the Moore Universal Telephone Service Act and in accordance with General Order 153. The Utility as listed throughout this Schedule is identified as the California LifeLine Service Provider in GO 153.
- (2) The Utility shall provide federal credits for Lifeline Assistance as defined in FCC 47 C.F.R. 54.401 (a) on a non-discriminatory basis to all qualifying low-income customers. The Utility's Lifeline service offering shall comply with all applicable federal laws, including but not limited to, 47 C.F.R Part 54, Subpart E; the FCC's Lifeline Reform Order (Report and Order released February 6, 2012, WC Docket No. 11-42, et. al.), the FCC's Lifeline Modernization Order (Third Report and Order released on April 27, 2016, WC Docket No. 11-42, FCC 16-38, et. al.), and any subsequent revision.

TERRITORY

Within the exchange areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES AND CHARGES

Rate per Month

- (1) Access Line Service:

Extended Area Service:

	Full LL Support*	Reduced LL Support	
a. <u>Federal Lifeline:</u>			
1. Local Flat Rate Service ***	\$23.50	\$23.50	(C)
2. End User Common Line (EUCL) Charge	6.50	6.50	
3. Federal Lifeline Credit	-9.25	-5.25	
4. California Makeup Support Credit	0.00	-2.00	
5. California Specific Support Credit	-15.75	-16.23	(I)
6. California LifeLine Flat Rate Service	\$5.00 (I)	\$6.52 (R)	
b. <u>CA-Only Lifeline:</u>			
1. Local Flat Rate Service ***	\$23.50	\$23.50	(C)
2. End User Common Line (EUCL) Charge	6.50	6.50	
3. California Makeup Support Credit**	-9.25	-7.25	
4. California Specific Support Credit	-15.75	-16.23	(I)
5. California LifeLine Flat Rate Service	\$5.00 (I)	\$6.52 (R)	

* Full Lifeline Support is provided if a customer also subscribes to a qualifying broadband package that meets or exceeds the FCC's applicable Lifeline minimum broadband standard or satisfies the exception in 47 C.F.R. Section 54.408.

** If the customer qualifies for Lifeline service using a program not recognized under federal program-based eligibility standards or pursuant to the higher income eligibility standard in California, a "California Makeup Support Credit" will be applied to provide credit in the same amount as would otherwise be applied if the customer established eligibility through a federally-recognized mechanism.

*** All voice mail services from Schedule A-12 and custom calling services from Schedule A-28 are included with the basic local service. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. ###

Date Filed Month Day, Year

Decision No.

William S. Barcus

Effective January 1, 2024

NAME

President

Resolution No.

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE

(Continued)

RATES AND CHARGES - (Continued)

Service Charge*

(2) Service Connection Charges:
(See Special Conditions 5)

a. Each New Service Order for Initial Install:

- | | | |
|----|---|---------------|
| 1. | New Service Order Charge | \$18.75 |
| 2. | Central Office Connection Work Charge | <u>28.00</u> |
| | | 46.75 |
| 3. | Federal Link Up Credit | 0.00 |
| 4. | California LifeLine Credit | <u>-37.38</u> |
| 5. | California LifeLine Service Connection Charge | \$9.37 |

b. Each Subsequent New Service Order:

- | | | |
|----|---|---------------|
| 1. | New Service Order Charge | \$18.75 |
| 2. | Central Office Connection Work Charge | <u>28.00</u> |
| | | 46.75 |
| 3. | California LifeLine Credit | <u>-37.38</u> |
| 4. | California LifeLine Service Connection Charge | \$9.37 |

c. Each Non-Payment Reconnect Charge:

- | | | |
|----|---|---------------|
| 1. | Restoral Charge | \$37.25 |
| 2. | California LifeLine Credit | <u>-27.88</u> |
| 3. | California LifeLine Service Connection Charge | \$9.37 |

d. Each change to convert to ULTS:

- | | | |
|----|---|-------------|
| 1. | Change Charge | \$9.37 |
| 2. | California LifeLine Credit | <u>0.00</u> |
| 3. | California LifeLine Service Conversion Charge | \$9.37 |

* The difference between the rates and charges in this Schedule and the regular tariffed rates and charges is recovered from the California ULTS Fund, federal Lifeline program, and/or federal Link Up program.

(L) Rates and Charges (2)a. previously shown on Cal. P.U.C. Sheet No. 3385.

(Continued)

(To be inserted by the utility)

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William S. Barcus

Effective December 1, 2020

NAME
President

Resolution No. _____

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

RATES AND CHARGES - (Continued)

Service Charge

(2) Service Connection Charges: - (Continued)

(D)

(D)

(Continued)

(To be inserted by the utility)

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Effective April 3, 2001

\cng

William S. Barcus

NAME

Vice President

TITLE

Resolution No. _____

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

RATES AND CHARGES - (Continued)

	<u>Rate or Charge</u>	
(3) Surcharges for California only Lifeline or FCC/California customers	No Charge	(C)
ULTS Rates (1) and (2) are exempt from California High Cost Fund A (CHCF-A) surcharge, California High Cost Fund B (CHCF-B) surcharge, California Advanced Services Fund (CASF) surcharge, California Teleconnect Fund (CTF) surcharge, California Relay Service Communications Device Fund (DDTP) surcharge, the California LifeLine (ULTS) surcharge, and the CPUC User Fee.		
(4) FCC End User Common Line (EUCL) Charge (covered in federal lifeline credit)	No Charge*	(C)
(5) Toll Blocking	No Charge	
(6) Deposits (see Special Conditions 7)		
a. A deposit is not required to establish or reestablish credit for basic service for ULTS customers.		
b. A deposit may be required to maintain basic service if the Utility discovers the customer no longer qualifies for ULTS.		
c. A deposit may be required for non-basic service(s).		
d. If it is determined that false information has been provided, correct information plus a deposit for non-basic service(s) will be required.		
* Does not apply to State only ULTS unless the Lifeline customer has a TTY and then ULTS cover the second line.		(N) (N)

(Continued)

(To be inserted by the utility)

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Advice Letter No. 410A

William S. Barcus

Date Filed July 28, 2017

Decision No. _____

NAME

Effective August 29, 2017

President

TITLE

Resolution No. _____

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS

1. Eligibility Criteria for Obtaining and Retaining ULTS:

- a. Universal LifeLine Telephone Service (ULTS) is available to all residential customers who meet the following eligibility requirements:

- (1) The residence at which the service is requested is the subscriber's principal place of residence. An applicant for ULTS may report only one address in this state as his/her principal place of residence.

The residence premises household (dwelling unit) shall consist of that portion of an individual house or building or one flat or apartment occupied entirely by a single family or individuals functioning as one domestic establishment.

The room or portion of a dwelling unit occupied exclusively by an individual not sharing equally as a member of the domestic establishment may be considered a separate residence for the application of ULTS.

- (2) The subscriber and the members of the subscriber's household collectively have one, and only one, ULTS line, except as provided for elsewhere in this schedule.
- (3) No person who is claimed as a dependent on another person's income tax return shall be eligible for ULTS.
- (4) Residential customers may qualify for ULTS by meeting either the Income-Based Criteria or the Program-Based Criteria.
- (5) Income-Based Criteria:

Income-based criterion allows an applicant to enroll in ULTS if members of the applicant's household collectively earn no more than the mandated annual income limits. Total household income is defined in Rules 1.

The California Public Utilities Commission develops the eligibility requirements for qualified households to receive the California Lifeline discounts. The eligibility requirements can be found at <http://www.cpuc.ca.gov/lifeline/> and https://www.californialifeline.com/en/eligibility_requirements.

(C)
|
(C)

Customers must also provide proof of their total household income. Acceptable income documents are:

- (a) Prior year's state, federal, or tribal tax return,
(b) Current income statement for an employee or paycheck stub for three consecutive month's worth of the same type of statements within the last 12 months,

(Continued)

(To be inserted by the utility)

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Advice Letter No. 412

Date Filed February 2, 2017

Decision No. 17-01-032

William S. Barcus

NAME

President

TITLE

Effective February 2, 2017

Resolution No. _____

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS – (Continued)

1. Eligibility Criteria for Obtaining and Retaining ULTS: (Cont'd)

- a. Universal Lifeline Telephone Service (ULTS) is available to all residential customers who meet the following eligibility requirements: (Cont'd)

(5) Income-Based Criteria: (Cont'd)

Customers must also provide proof of their total household income. Acceptable income documents are: (Cont'd) (T)

- (c) Statement of benefits from Social Security, Veterans Administration, retirement/pension, unemployment compensation, and/or workmen's compensation,
- (d) A divorce decree,
- (e) Child support document,
- (f) Other official documents.

(Continued)

(To be inserted by the utility)

Advice Letter No. 384

Decision No. _____

Issued by

William S. Barcus

NAME

President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed November 1, 2011

Effective December 1, 2011

Resolution No. T-17321

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

1. Eligibility Criteria for Obtaining and Retaining ULTS: - (Cont'd)

- a. Universal Lifeline Telephone Service (ULTS) is available to all residential customers who meet the following eligibility requirements: (Cont'd)

(5) (Continued)

Borrowed money shall not be considered as income when determining eligibility for the ULTS program. Funds transferred from one account to another, such as from savings account to a checking account, shall not be considered as income when determining eligibility for the ULTS program, even if such funds are used for living expenses.

(6) Program-Based Criteria:

Program-based criterion allows an applicant to enroll in ULTS based on participation by the applicant or a member of the applicant's household in a means-tested programs approved by the Commission.

The California Public Utilities Commission develops the eligibility requirements for qualified households to receive the California Lifeline discounts. The eligibility requirements can be found at <http://www.cpuc.ca.gov/lifeline/> and https://www.californialifeline.com/en/eligibility_requirements.

(C)
|
(C)

- (7) For self-employed members, the "income from self-employment" shown on IRS Form 1040, Schedule C, line 29 shall be used to determine eligibility for ULTS.
- (8) A subscriber shall be eligible to receive two ULTS lines if: (i) the subscriber meets all ULTS eligibility criteria set forth above; (ii) a member of the subscriber's household is a disabled member and has immediate and continuous access within the household to a TTY; and (iii) the TTY is issued by DDTP or a medical certificate indicating the household member's need for a TTY is submitted.
- (9) All ULTS rules and regulations that apply to the one ULTS line shall apply equally to the second ULTS line provided to a subscriber.

(Continued)

(To be inserted by the utility)

Issued by

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Advice Letter No. 412

William S. Barcus

Date Filed February 2, 2017

Decision No. 17-01-032

NAME

President

Effective February 2, 2017

TITLE

Resolution No. _____

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

1. Eligibility Criteria for Obtaining and Retaining ULTS: - (Cont'd)

- a. Universal LifeLine Telephone Service (ULTS) is available to all residential customers who meet the following eligibility requirements: (Cont'd)

- (10) Customers that verbally certify they meet the ULTS income limits and have proof of income or participate in an approved public program will receive an Application Form in the mail from the California LifeLine Administrator for completion and submission prior to being enrolled in the ULTS program. (T)
(T)
- (11) The completed Application Form and supporting documents, if any, must be received by the California LifeLine Administrator on or before the deadline date specified in the Application Form. (T)
(T)
- (12) Enrollment Process:
- (a) The Utility shall send a confirmation notice to all California LifeLine applicants informing them of the arrival of Application Forms from the California LifeLine Administrator and the requirement to return the completed forms with all required documentation. The notice shall also inform them that failure to return all the required documentation by the deadline date will result in denial of LifeLine service. (T)
(T)
- (b) Customers will incur regular tariff rates and charges until the approval of their California LifeLine Application Form process is completed. (T)
(T)
- (c) Customers will be converted to LifeLine service upon the Utility receiving confirmation of the customer's eligibility from the California LifeLine Administrator. (T)
(T)
- (d) Customers will receive a credit on their bill for the LifeLine discounts retroactive to their application date which will appear on their next bill. The customer may request a refund check for a net credit if the amount is over \$10.00. (T)
- (13) The Utility shall not knowingly enroll an applicant into the ULTS program who does not meet the ULTS eligibility criteria and the Utility shall not knowingly allow a subscriber to remain in the ULTS program who does not meet the ULTS eligibility criteria. (T)
(T)
- (14) The Utility shall not link the availability of discounted phone service under the ULTS program with the sale of non-ULTS services.

(Continued)

(To be inserted by the utility)

Advice Letter No. 384

Decision No. _____

Issued by

William S. Barcus

NAME

President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed November 1, 2011

Effective December 1, 2011

Resolution No. T-17321

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

1. Eligibility Criteria for Obtaining and Retaining ULTS: - (Cont'd)

- a. Universal LifeLine Telephone Service (ULTS) is available to all residential customers who meet the following eligibility requirements: (Cont'd)

(15) The Utility must inform the applicant that he or she may opt to receive the instructions for the Application Form in Braille (English Only) or the instructions and the Application Form in large print.

(16) A subscriber changing his/her Utility shall not be required to undergo the Application Process, provided that the subscriber initiates California LifeLine service with his/her new Utility within 30 days of disconnecting California LifeLine service with the previous Utility and the subscriber maintains eligibility in all other respects. If a subscriber changes his or her principal place of residence, while maintaining eligibility in all other respects, the subscriber shall not be required to go through the Application Process again.

(17) Pursuant to 47 C.F.R. §54.410(d) and 47 C.F.R. §54.410(f), Universal Lifeline Telephone Service (California LifeLine) Program applicants and participants must provide their date of birth and the last four digits of their social security number, or Tribal identification number, as part of the eligibility requirements for receiving the California LifeLine or enhanced Lifeline discounts.

(N)

(N)

2. Universal LifeLine Telephone Service (ULTS) is available to eligible customers subscribing to individual line service.
3. ULTS includes all the service elements defined in Rule No. 1 for Basic Service.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 394

Date Filed November 13, 2012

Decision No. _____

William S. Barcus

Effective December 12, 2012

NAME

President

Resolution No. _____

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

4. ULTS is restricted to residence local exchange service, including all applicable extended area service. Foreign Exchange Service and other non-ULTS services are excluded from this offering.

5. Discounted Nonrecurring Charges:

a. Initial Installation

- (1) The Universal LifeLine Telephone Service (ULTS) connection charge is applicable to each eligible household residing at the same principal place of residence. (T)
- (2) The ULTS connection charge may be applicable any time a subscriber (i) establishes ULTS, (ii) re-establishes ULTS at the same residence at which ULTS was previously provided (even when the customer was disconnected for nonpayment), (iii) establishes ULTS at a new residence, or (iv) switches ULTS from one utility to another. (T)
- (3) Utilities may not impose a "central office charge" in addition to the ULTS connection charge when installing or activating California LifeLine. (T)
- (4) Installation of a second and subsequent telephone service connections shall be subject to the Utility's regular tariffed rates for these connections, except that subscribers with a disabled household member may qualify for ULTS connection charges on two residential telephone connections. (T)

b. Change Charges

The ULTS conversion charge is applicable each time a ULTS subscriber requests a change in the class (business or residential to ULTS), type (this means measured to flat rate service or vice versa, which is not applicable in our territory), or grade of service (this means going from one to two party service or vice versa, which is not applicable in our territory), including requests to change from Foreign Exchange Service. There is no limit on the number of times a ULTS subscriber may pay the ULTS conversion charge to change the class, type, or grade of service. This discounted charge excludes adding services not covered under the ULTS program. No conversion charge is assessed if a LifeLine applicant fails to qualify or if a LifeLine subscriber is removed from the LifeLine program (either voluntarily or involuntarily). (T)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 384

Date Filed November 1, 2011

Decision No. _____

William S. Barcus

Effective December 1, 2011

NAME
President

Resolution No. T-17321

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

6. Eligible subscribers of this service may have up to twelve months to pay the Utility for the reduced service connection charges without interest. The Utility may charge a late-payment fee when Universal LifeLine Telephone Service (ULTS) subscribers fail to timely remit some or all of the ULTS connection charge under a deferred-payment schedule. (T)
7. Deposits for establishment of service from applicants for new service, as outlined in Cal. P.U.C. Rule No. 7, will not be required of eligible ULTS recipients. The Utility may require a ULTS customer to pay any overdue ULTS rates and charges, or make payment arrangements, before ULTS is reinstated at the same address or at a new address. The Utility may apply toll restriction to a ULTS customer's line when toll charges are not paid and optional services may be discontinued. (T)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 384

William S. Barcus

Date Filed November 1, 2011

Decision No. _____

NAME

Effective December 1, 2011

President

Resolution No. T-17321

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

8. Universal LifeLine Telephone Service (ULTS) shall be subject to the conditions set forth in Cal. P.U.C. Rule No. 11, Discontinuance and Restoration of Service. Unless the customer directs otherwise, a partial payment will be applied towards the local service non-recurring and recurring charges, and federal taxes associated with this service. (T)
9. Applicants who wish to re-establish ULTS service after removal from the program will be treated as a new applicant, subject to the Application Process and G.O. 153 rules, and a Service Conversion Charge as shown in Rates (2) above (once the applicant has successfully re-established ULTS service). The ULTS discount will be effective on the Application Date and will not be applied retroactively to the prior enrollment period.
10. The California LifeLine Administrator will qualify new ULTS customers and verify the continued eligibility of existing ULTS customers. (T)
11. Subscribers must notify the Utility of a change in any condition which occurs that would cause the household to no longer qualify for the service or a second ULTS line. Upon receipt of notification, the Utility will change the service to regular tariffed rates for the service furnished. Service connection charges will not apply to the change in service. The three-month limitation to back bill, as set forth in Rule No. 9, is not applicable to this service. (T)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 384

Date Filed November 1, 2011

Decision No. _____

William S. Barcus

Effective December 1, 2011

NAME

President

Resolution No. T-17321

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

12. Each Universal Lifeline Telephone Service (ULTS) customer is subject to the annual renewal process.
13. The Utility will annually mail a notification of availability of ULTS to all its residential customers.
14. In addition to the rates and conditions specified herein, all rules, regulations, charges, and rates in conjunction with the services furnished elsewhere in the tariffs are also applicable to the service provided under this schedule.
15. Optional services and equipment are not included in ULTS rates, but will be provided to ULTS customers at applicable tariffed rates and charges. Non-ULTS lines will be available to ULTS customers at the applicable regular tariffed rates and charges.
16. ULTS rates shall be applied to each monthly statement for the months this service is furnished and shall apply only for the duration of this service.
17. Definitions covered under the California LifeLine Program and words used throughout this Schedule are defined in GO153.

(D)

(D)

*Effective March 19, 2018, Special Conditions 18 was removed in compliance with Rulemaking 11-03-013 filed on March 16, 2018. The 60-day freeze and the exceptions were no longer practiced on March 19, 2018. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 420

Date Filed March 23, 2018

Decision No. _____

Effective March 19, 2018

William S. Barcus

NAME

President

TITLE

Resolution No. _____

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE

(Continued)

SPECIAL CONDITIONS - (Continued)

(D)

(D)

*Effective March 19, 2018, Special Conditions 18 was removed in compliance with Rulemaking 11-03-013 (N)
filed on March 16, 2018. The 60-day freeze and the exceptions were no longer practiced on March 19, 2018. (N)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 420

Date Filed March 23, 2018

Decision No. _____

William S. Barcus

Effective March 19, 2018

NAME

President

Resolution No. _____

TITLE

Schedule No. A-29

UNIVERSAL LIFELINE TELEPHONE SERVICE

(Continued)

SPECIAL CONDITIONS - (Continued)

(D)

(D)

*Effective March 19, 2018, Special Conditions 18 was removed in compliance with Rulemaking 11-03-013 (N)
filed on March 16, 2018. The 60-day freeze and the exceptions were no longer practiced on March 19, 2018. (N)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 420

Date Filed March 23, 2018

Decision No. _____

William S. Barcus

Effective March 19, 2018

NAME

President

Resolution No. _____

TITLE

Schedule No. A-32

INSIDE WIRING MAINTENANCE SERVICE

APPLICABILITY

Applicable to customer's requesting simple Inside Wiring Maintenance (IWM) on wire running between the demarcation point and the jack.

TERRITORY

Within the exchange rate areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

		<u>Labor Charge</u>		
		<u>Schedule 1</u>	<u>Schedule 2</u>	<u>Schedule 3</u>
(1)	Simple Inside Wire Repair Service:			
a.	Initial premises work charge to dispatch employee, locate trouble, and complete repair:			
	First hour or fraction thereof.....	\$ 95.00	\$ 142.50	\$ 190.00
b.	Additional premises work to locate trouble and complete repair:			
	Each additional quarter hour or fraction thereof.....	23.75	35.62	47.50
		<u>Rate per Month</u>		
		<u>Business</u>	<u>Residence</u>	
(2)	Maintenance Plan, each line.....	\$ 3.70	\$ 3.70	(R)

Schedule 1 is applicable to work performed Monday through Friday, between 8:00 a.m. and 5:00 p.m., except holidays.

Schedule 2 is applicable to work performed Monday through Friday at hours other than Schedule 1 and all day Saturday, except holidays.

Schedule 3 is applicable to work performed on Sundays and holidays observed by the Utility.

The Utility may perform work on the customer's side of the local loop demarcation point at the customer's request and expense.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. xxx

Date Filed Month Day, Year

Decision No. _____

William S. Barcus

Effective January 1, 2023

NAME

President

Resolution No. _____

TITLE

Schedule No. A-32

INSIDE WIRING MAINTENANCE SERVICE

SPECIAL CONDITIONS

1. Simple inside wiring maintenance does not include repair of inside wiring which connects station components to each other or to common equipment of a PBX or key system.
2. Billable time includes travel, work preparation, actual work and cleanup. The above labor charge begins upon arrival at or on the customer's premises.
3. Charges for materials may be applicable in addition to the labor charges. The Utility provides a thirty-day warranty for repairs of simple inside wire.
4. (D)
5. If Utility personnel are dispatched to isolate trouble and the customer requests inside wiring maintenance, then the above labor charges will apply in place of the visit charge shown in Schedule No. V-1.
6. Inside Wire Repair Plan:
 - a. Customers may subscribe to the monthly plan only at the time their simple inside wire is in working condition.
 - b. The monthly plan does not include re-installation of inside wiring where the wiring was destroyed by fire, major floor, or similar catastrophes.
 - c. The customer must advise the Utility when the customer wishes to cancel the monthly plan.
 - d. Customers with nonstandard wire are not eligible for the plan.
 - e. Subscription to the monthly plan becomes effective with the installation due date of the service connection for new service or, with established service, five days after the customer requests participation.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 332

William S. Barcus

Date Filed August 6, 2004

Decision No. 04-05-057

NAME

President

Effective December 6, 2004

TITLE

Resolution No. _____

Schedule No. A-32

INSIDE WIRING MAINTENANCE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

7. Unless there are unforeseen or unavoidable occurrences beyond the Utility's control, the Utility personnel will be dispatched no later than four hours from the scheduled arrival time. See Special Conditions 12.
8. When the Utility is requested to visit a customer's premises to repair their inside wire, and there is a "no show" or the customer refuses to allow the Utility access to their premises, the customer may be subject to a minimum 3/4-hour labor charge.
9. The Utility will repair simple inside wire. However, if the inside wire is nonstandard wire and the repair requires replacement of such nonstandard wire, the Utility may perform repairs and advise the customer that the nonstandard wire must be replaced.
10. The Utility reserves the right not to repair or replace simple inside wire that is in nonworking condition due to obvious neglect or willful misuse.
11. Connection of wiring and terminal equipment to the telephone network may be made through a jack conforming to FCC Part 68, Subpart F or by direct attachment to simple inside wire beyond the local loop demarcation point.

(D)

(D)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 337

William S. Barcus

Date Filed March 4, 2005

Decision No. 05-01-058

NAME

President

Effective April 12, 2005

TITLE

Resolution No. _____

\cng

Exhibit G
[Public]

Confidential; portions redacted

Kerman Telephone Company

RESULTS 2024 PF
2024

KERMAN TELEPHONE CO			
PROPOSED YEAR:			
	TOTAL	INTERSTATE	INTRASTATE
	COMPANY		TOTAL
ITEMS	(a)	(b)	(c)=(a-b)
OPERATING REVENUES:			
Local Network Service	1,038,598	0	1,038,598
Federal/State USF	1,713,934	0	1,713,934
State CHCF-A	3,438,015	0	3,438,015
Network Access Svces:			
Intrastate	153,980	0	153,980
Interstate	4,278,601	4,278,601	0
Miscellaneous Revenues	139,210	35,396	103,813
Less:Uncollectible Revenues	(200)	0	(200)
Total Operating Revenue	10,762,138	4,313,997	6,448,140
OPERATING EXPENSES:			
Plant Specific	3,944,933	1,556,418	2,388,515
Plant Non Specific	462,498	238,977	223,522
Depreciation & Amortization	1,772,060	735,784	1,036,276
Customer Operations	1,052,812	392,613	660,200
Corporate Operations	1,644,138	667,916	976,222
Total Operating Expenses	8,876,442	3,591,708	5,284,734
OPERATING TAXES:			
Operating Fed Income Taxes	267,109	102,414	164,695
Operating State Inc. Taxes	123,344	47,292	76,052
Taxes other than operating	317,535	121,554	195,981
Excess Tax Reserve Offset	(151,657)	(55,426)	(96,231)
Total Operating Taxes	556,331	215,834	340,498
NET OPERATING INCOME	1,329,364	506,456	822,909
RATE BASE			
Telephone Plant-In-Service	61,271,060	23,306,960	37,964,100
Tel Plt held for future use			
Tel Plt under construction	0	0	0
Mat & Supplies	521,980	179,116	342,864
Working Cash	669,951	268,340	401,611
Less:Depr Reserve	(43,360,304)	(16,874,790)	(26,485,514)
Def. Taxes	(2,582,500)	(943,831)	(1,638,669)
EDIT (Excess Def Tax)	(1,705,172)	(623,192)	(1,081,979)
Customer deposit	0	0	0
Total Rate Base	14,815,015	5,312,602	9,502,413
Rate of Return	8.97%	9.53%	8.66%

Affiliate	INTRASTATE	Affiliate ISP NI	INTRASTATE	Affiliate
ISP NI All Lines	IMPUTED	non-CBOL	IMPUTED	RATIO V&D/DO
2021	ISP NI	2021	ISP ADJ NI	
(d1)	(e)=(c+d1)	(d2)	(f)=(c+d2)	(g)

<

Data Only lines
Voice Data Lines

Exhibit H

**KERMAN TELEPHONE CO.
NOTICE BY PUBLICATION OF APPLICATION TO ESTABLISH NEW
REGULATED REVENUE REQUIREMENT AND ADJUST RATES (A.22-11-____)**

On November 1, 2022, Kerman Telephone Co. (Kerman) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with Commission rules, including those outlined in CPUC Decision Nos. 94-09-065, 14-12-084, 15-06-048, 21-04-005 and 21-06-004, and the CPUC's Rules of Practice and Procedure. This application has been docketed at the CPUC as A.22-11-____.

Kerman's application proposes to increase Kerman's current basic single-line residential rate by \$0.92, exclusive of taxes and fees, from \$22.58 to \$23.50. In addition, Kerman's application proposes to include voice mail and custom calling features such as, Call Forwarding, Call Waiting, Three Way Calling, Speed Calling 8/30, Teen Service, Delayed Call Forwarding, Call Return, Repeat Dialing, Priority Ringing, Selective Call Forwarding, Selective Call Rejection, Selective Call Acceptance, Anonymous Call Rejection, Caller ID, Call Trace, Call Return, and Repeat Dialing, within the basic voice rates. Kerman also proposes to decrease the price of its Inside Wire Maintenance Plan to \$3.70/month.

Why is Kerman requesting this adjustment in rates?

Kerman has made this proposal to preserve access to universal service support from state and federal sources and to ensure that it can continue to provide safe, reliable, and modern telecommunications services to its customers, while covering its operating expenses and earning a reasonable rate of return on its investments.

How does the rest of the process work?

The application will be assigned to a CPUC Administrative Law Judge who will consider proposals and evidence presented during the formal hearing process. The CPUC will hold public participation hearings at dates yet to be determined, which will provide customers an opportunity to express their views on this matter to the CPUC. The Administrative Law Judge will issue a proposed decision that may adopt Kerman's application, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting. Parties to the proceeding will review Kerman's application, including the Public Advocates Office of California, which is an independent consumer advocate within the CPUC. For more information about the Public Advocates Office, please call 1-415-703-1584, email PublicAdvocatesOffice@cpuc.ca.gov, or visit www.PublicAdvocates.cpuc.ca.gov.

Where can I get more information?

CONTACT KERMAN:

Phone: (530) 367-2222 or (866) 367-8704

Email: customerserviceKerman@sebastiancorp.com

Address: Kerman Telephone Co., 5915 Gold Street, Kerman, CA 95631.

A copy of the entire filing and related exhibits will be made available by written request to:

David Clark
Sebastian
811 S Madera Avenue
Kerman, CA 93630

CONTACT CPUC

Please visit **apps.cpuc.ca.gov/c/A2211__** to submit a comment about this proceeding on the CPUC Docket Card. Here you can also view documents and other public comments related to this proceeding. Your participation by providing your thoughts on Kerman's request can help the CPUC make an informed decision.

If you have questions about CPUC processes, you may contact the CPUC's Public Advisor's Office at:

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
Email: Public.Advisor@cpuc.ca.gov
Mail: CPUC Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Please reference **Application A.22-11-__** in any communications you have with the CPUC regarding this matter.

Exhibit I

KERMAN TELEPHONE CO.
NOTICE OF APPLICATION TO ESTABLISH NEW
REGULATED REVENUE REQUIREMENT AND ADJUST RATES
A.22-11-___

Why am I receiving this notice?

On November 1, 2022, Kerman Telephone Co. (Kerman) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with Commission rules, including those outlined in CPUC Decision Nos. 94-09-065, 14-12-084, 15-06-048, 21-04-005 and 21-06-004, and the CPUC's Rules of Practice and Procedure. This application has been docketed at the CPUC as A.22-11-___.

Kerman's application proposes to increase Kerman's current basic single-line residential rate by \$0.92, exclusive of taxes and fees, from \$22.58 to \$23.50. In addition, Kerman's application proposes to include voice mail and custom calling features such as, Call Forwarding, Call Waiting, Three Way Calling, Speed Calling 8/30, Teen Service, Delayed Call Forwarding, Call Return, Repeat Dialing, Priority Ringing, Selective Call Forwarding, Selective Call Rejection, Selective Call Acceptance, Anonymous Call Rejection, Caller ID, Call Trace, Call Return, and Repeat Dialing, within the basic voice rates. Kerman also proposes to decrease the price of its Inside Wire Maintenance Plan to \$3.70/month.

Why is Kerman requesting this adjustment in rates?

Kerman has made this proposal to preserve access to universal service support from state and federal sources and to ensure that it can continue to provide safe, reliable, and modern telecommunications services to its customers, while covering its operating expenses and earning a reasonable rate of return on its investments.

How does the rest of the process work?

The application will be assigned to a CPUC Administrative Law Judge who will consider proposals and evidence presented during the formal hearing process. The CPUC will hold public participation hearings at dates yet to be determined, which will provide customers an opportunity to express their views on this matter to the CPUC. The Administrative Law Judge will issue a proposed decision that may adopt Kerman's application, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting. Parties to the proceeding will review Kerman's application, including the Public Advocates Office of California, which is an independent consumer advocate within the CPUC. For more information about the Public Advocates Office, please call 1-415-703-1584, email PublicAdvocatesOffice@cpuc.ca.gov, or visit www.PublicAdvocates.cpuc.ca.gov.

Where can I get more information?

CONTACT KERMAN:

Phone: (559) 846-9311 or (800) 841-9311]

Email: customerservicekerman@sebastiancorp.com

Address: Kerman Telephone Co., 811 S. Madera Avenue, Kerman, CA 93630.

A copy of the entire filing and related exhibits will be made available by written request to:
David Clark
Sebastian

811 S Madera Avenue
Kerman, CA 93630

CONTACT CPUC

Please visit **apps.cpuc.ca.gov/c/A2211** to submit a comment about this proceeding on the CPUC Docket Card. Here you can also view documents and other public comments related to this proceeding. Your participation by providing your thoughts on Kerman's request can help the CPUC make an informed decision.

If you have questions about CPUC processes, you may contact the CPUC's Public Advisor's Office at:

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074

Email: Public.Advisor@cpuc.ca.gov

Mail: CPUC Public Advisor's Office

505 Van Ness Avenue

San Francisco, CA 94102

Please reference **Application A.22-11-___** in any communications you have with the CPUC regarding this matter.

Exhibit J

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
	Agreement Type (License, Lease or Other	Name of Company in Agreement With	Facility/Utility Property Type in Agreement	is the Transaction with a subsidiary or affiliate? (Yes/No)	Is the Transaction Revocable?	Length of Agreement (Effective Date-End Date)	Dollar Amount Over Life of Agreement *	Dollar Amount for GRC Year	Recording Policy
[1]	License	CVIN/VAST	Other	Yes	Yes	Continuing until revoked	\$65,577.60	\$10,929.60	641010.00.00.00 Cable and Wire Expense
[2]	License	Audeamus	Cable (Fiber)	Yes	Yes	Continuing until revoked	\$153,519.12	\$25,586.52	641010.00.00.00 Cable and Wire Expense
[3]	License	Audeamus	Cable (Fiber)	Yes	Yes	Continuing until revoked	\$142,272	\$23,712.00	641010.00.00.00 Cable and Wire Expense
[4]	Lease	Kerman Chamber of Commerce	Building	No	No	Continuing until revoked	\$35,568	\$5,928.00	736020.20.00.00 Other Non- operating Income - Rent; 612110.20.05.40 Land & Bldg Expense; 724010.20.00.00 Property Tax
[5]									
[6]									
[7]									
[8]									
[9]									
[10]									
[11]									
[12]									

* Lifetime as of CY 2016 through end of Calendar Year 2021

Exhibit K

Benchmark/Timeline	D.15-06-048 Schedule Without Adjustment (days after application)	FTC/KTC	Ponderosa
GRC Application Filed and Testimony served	Tuesday, 11/1/22 (0 days)	Tuesday, 11/1/22 (0 days)	Monday, 10/3/2022 (0 days)
Protest/Intervenor Deadline	Thursday, 12/1/22 (30 days)	Thursday, 12/1/22 (30 days)	Wednesday, 11/2/2022 (30 days)
Reply to protest	Monday, 12/12/22 (41 days)	Monday, 12/12/22 (41 days)	Monday, 11/14/2022 (41 days)
Prehearing Conference	Monday, 1/2/23 (60 days)	Thursday, 1/5/23 (63 days)	Thursday, 12/1/2022 (59 days)
Scoping Memo	<i>Not specified</i>	Thursday, 1/19/23 (77 days)	<i>Not specified</i>
Intervenor Testimony	Friday, 3/31/23 (150 days)	Friday, 3/31/23 (150 days)	Friday, 3/3/2023 (151 days)
Rebuttal Testimony	Monday, 5/1/23 (180 days)	Tuesday, 5/30/23 (210 days)	Wednesday, 3/15/2023 (163 days)
Public Participation Hearing	<i>Not specified</i>	Friday, 6/9/23 (220 days)	Friday, 5/5/2023 (214 days)
Hearings	Tuesday, 5/30/23-Friday, 6/9/23 (210-220 days)	Monday, 7/10/23-Friday, 7/14/23 (251-255 days)	Monday, 6/19/2023 (259 days)
Opening Briefs	Tuesday, 7/11/23 (252 days)	Thursday, 8/10/23 (282 days)	Friday, 7/21/2023 (291 days)
Reply Briefs	Tuesday, 8/1/23 (273 days)	Friday, 9/1/23 (304 days)	Friday, 8/11/2023 (312 days)
Proposed Decision	Thursday, 9/28/23 (331 days)	Wednesday 11/1/23 (365 days)	Monday, 10/23/2023 (385 days)
PD Comments	Wednesday, 10/18/23 (351 days)	Tuesday, 11/21/23 (385 days)	Monday, 11/13/2023 (406 days)
Voting Meeting	November 2023 (361-390 days)	December, 2023 (395-415 days)	Thursday, 11/16/2023 (409 days)
Implement New Rate Design	January-February 2024 (390-420 days)	January 1, 2024 (426 days)	Monday, 1/1/2024 (455 days)